



2014-2017 Business Plan

**A Strong Bank,
Ready for Growth**

Disclaimer

This presentation includes certain forward looking statements, projections, objectives and estimates reflecting the current views of the management of the Company with respect to future events. Forward looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words “may,” “will,” “should,” “plan,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” “project,” “goal” or “target” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding the Company’s future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Company participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Group’s ability to achieve its projected objectives or results is dependent on many factors which are outside management’s control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to the Company as of the date hereof. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Key Messages

Ready to Benefit from Market Recovery After Years of Recession

Value Creation and Distribution Driven by a Clear, Effective and Shared Action Plan

Final Remarks

ISP Strong and Ready to Create Value for Shareholders

ISP performed well in a **challenging environment**, focusing on a **strong balance sheet** position (capital and liquidity)...

...with sound **economic performance** that allowed **sustainable cash dividend distribution**

Low interest rates, GDP contraction and a high cost of risk are the root causes of a **return far below cost of capital**

To create value for Shareholders, ISP now targets a **Net Income of €4.5bn in 2017** (ROTE⁽¹⁾ at 11.8% and ROE⁽²⁾ at 10.0% with Common Equity ratio at 12.2%)

The Plan addresses **all business drivers** (revenues, costs, risk, capital and liquidity) and prioritises more **fee-intensive businesses**, ready for a potentially **prolonged period of low interest rates**

(1) Net Income (pre Goodwill and other Intangibles impairment) / Tangible Net Shareholders' Equity (Net Shareholders' Equity excluding Net Income, Goodwill and other Intangibles)

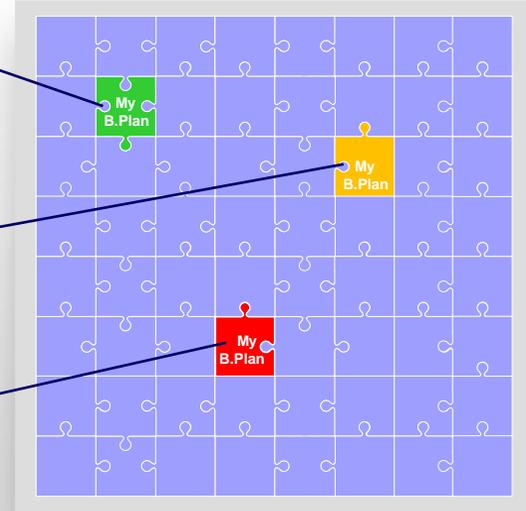
(2) Net Income (pre Goodwill and other Intangibles impairment) / Net Shareholders' Equity (excluding Net Income)

Reshaping the Bank Together: the Business Plan Reflects Contributions From the Whole Bank

...an experienced, cohesive and motivated management team...

Many people involved...

- **Survey** involving ~6,000 employees
- **Focus groups** to develop ideas and actions
- **Line managers** deeply involved in the identification of actions to accelerate Business Plan development



...and a Business Plan for each individual to deliver

ISP Strategic Priorities

A real-economy Bank, that:

- Generates less than 1% of revenues from proprietary trading activities
- Supports the real economy, leveraging a strong balance sheet to match healthy credit demand (€170bn medium/long term new lending)
- Manages the financial wealth of clients with care

A Bank with sustainable profitability in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced

A leader in retail and corporate banking in Italy and a few other key markets

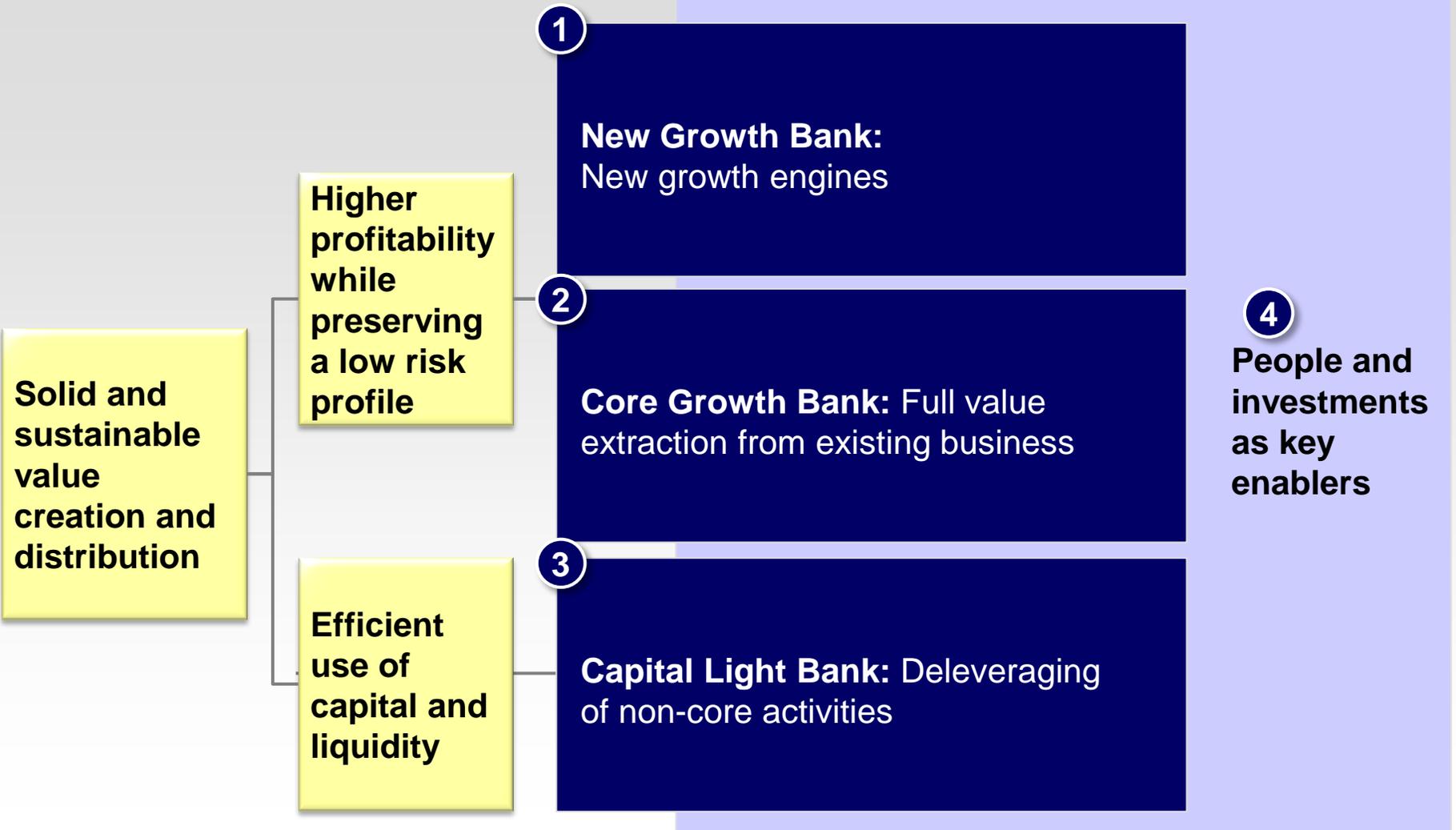
A European leader in a number of high growth / high value businesses (Private Banking, Asset Management, Insurance)

An international Bank that acts as the “**Local Bank abroad**” for Italian companies

Divisional model confirmed with **Banca dei Territori business model** further **simplified**

A simple yet innovative Bank, acting with a truly multi-channel model

Our Formula for Success

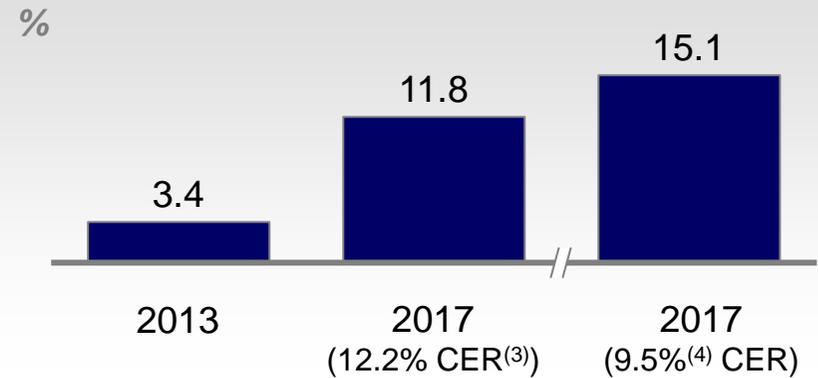


Solid and Sustainable Shareholder Value Creation and Distribution (1/2)

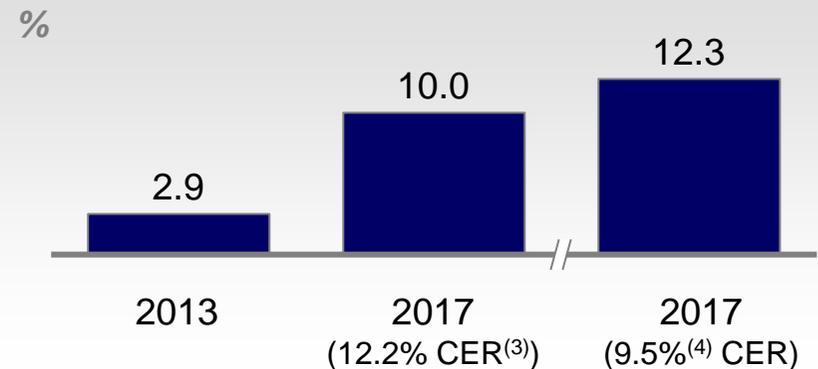
Value creation

- 2017 return above cost of capital for:
 - The Group
 - Each Business Unit

ROTE⁽¹⁾



ROE⁽²⁾



(1) Net Income (pre Goodwill and other Intangibles impairment) / Tangible Net Shareholders' Equity (Net Shareholders' Equity excluding Net Income, Goodwill and other Intangibles)
 (2) Net Income (pre Goodwill and other Intangibles impairment) / Net Shareholders' Equity (excluding Net Income)
 (3) Pro-forma fully phased-in Basel 3; including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (1bps), from Danish Compromise (13bps) and from the stake in Bank of Italy (86bps); after ordinary dividends
 (4) Basel 3 compliance level for Global SIFI: 9.5% (4.5% Common Equity + 2.5% conservation buffer + 2.5% current maximum SIFI buffer)

Solid and Sustainable Shareholder Value Creation and Distribution (2/2)

Value distribution

- **Strong and increasing ordinary cash dividend distribution**
- Starting from 2016-17, **capital in excess of regulatory requirements that is not needed for further growth initiatives will be distributed to Shareholders**

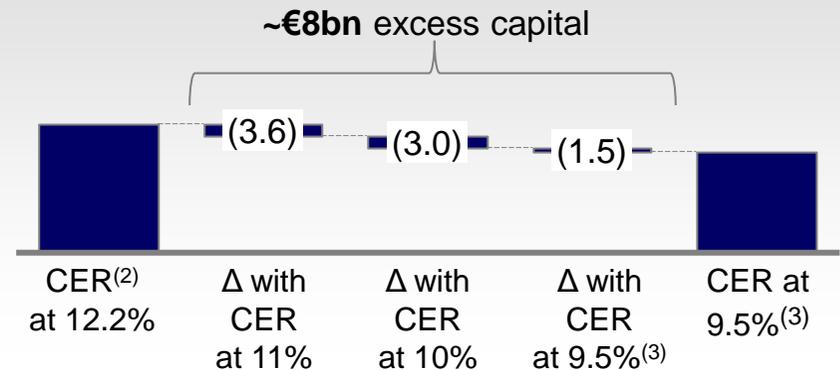
Cash dividend⁽¹⁾ in every year of the Plan

€ bn



Excess capital available for additional distribution from 2016-17

2017 Common Equity, € bn



(1) Subject to regulatory requirements

(2) Pro-forma fully phased-in Basel 3; including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (1bps), from Danish Compromise (13bps) and from the stake in Bank of Italy (86bps); after ordinary dividends

(3) Basel 3 compliance level for Global SIFI: 9.5% (4.5% Common Equity + 2.5% conservation buffer + 2.5% current maximum SIFI buffer)

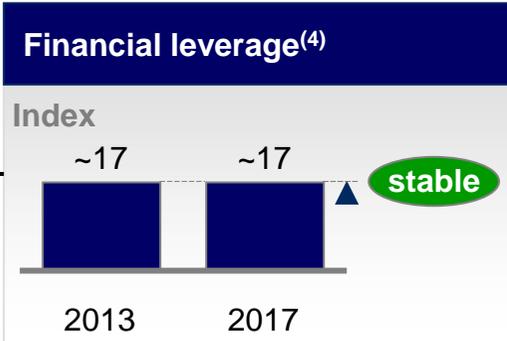
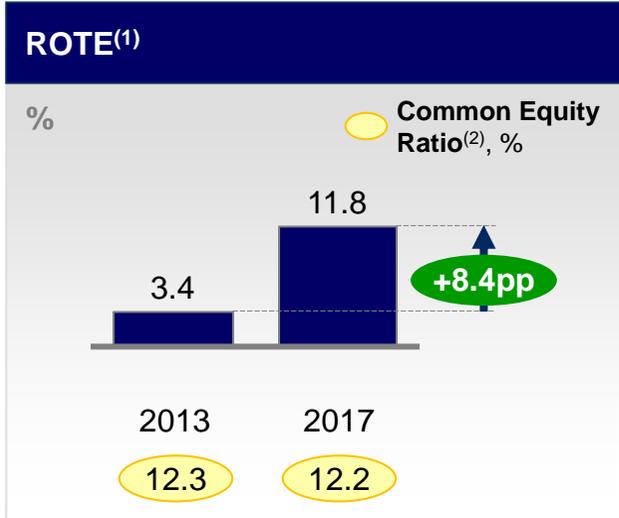
Note: Figures may not add up exactly due to rounding differences

More than €200bn Contribution to the Economy

€ bn	Benefits	Total 2014-2017	
Shareholders	Cash dividends ⁽¹⁾	~10	<ul style="list-style-type: none"> €10bn available for consumption/investments
Families and Businesses	Medium/Long term new lending to the “real” economy	~170	<ul style="list-style-type: none"> ~350,000 new investments financed Lending growth well above GDP growth
Employees	Personnel expenses	~21	<ul style="list-style-type: none"> More than 90,000 households Excess capacity absorbable through priority initiatives
	Training	~1	<ul style="list-style-type: none"> ~5mm training days
Suppliers	Purchases and investments	~10	<ul style="list-style-type: none"> More than 40,000 households
Public Sector	Taxes ⁽²⁾	~10	<ul style="list-style-type: none"> Comparable to an Italian annual Budget Bill (“Legge di Stabilità”)
Social Sector	Medium/Long term new lending to support social ventures	~1.2	<ul style="list-style-type: none"> Banca Prossima the largest Social Sector Lender in Italy

(1) Does not include additional pay-backs, which could be distributed subject to regulatory evolution
 (2) Direct and indirect

Sharp Increase in Profitability and Efficiency



(1) Net Income (pre Goodwill and other Intangibles impairment) / Tangible Net Shareholders' Equity (Net Shareholders' Equity excluding Net Income, Goodwill and other Intangibles)
 (2) Pro-forma fully phased-in Basel 3; including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (1bps), from Danish Compromise (13bps) and from the stake in Bank of Italy (86bps); after ordinary dividends
 (3) Pre Goodwill and other Intangibles impairment
 (4) Total Tangible Assets/Tangible net Shareholders' Equity, including Net Income – net of dividends paid or to be paid – and excluding Goodwill and other Intangibles

Note: Figures may not add up exactly due to rounding differences. CAGR calculated on exact figures

Strong Revenue Creation with Focus on Fee-Intensive Businesses

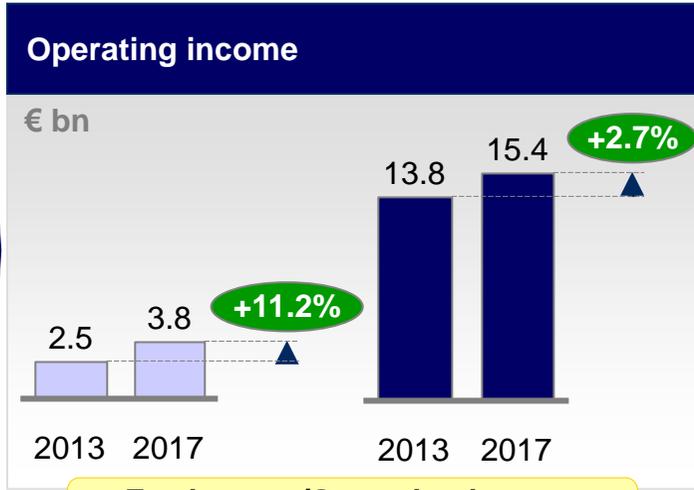
Strong revenue creation

New Growth Bank (10 initiatives)

Core Growth Bank (20 initiatives)



- New Growth Bank: New growth engines
- Core Growth Bank: Full value extraction from existing business
- 2013-17 CAGR



Fee income/Operating income from 38% in 2013 to 43% in 2017

(1) Profits on trading, Income from insurance business, Dividends and P/L on investments carried at equity and Other operating income
 Note: Figures may not add up exactly due to rounding differences. CAGR calculated on exact figures

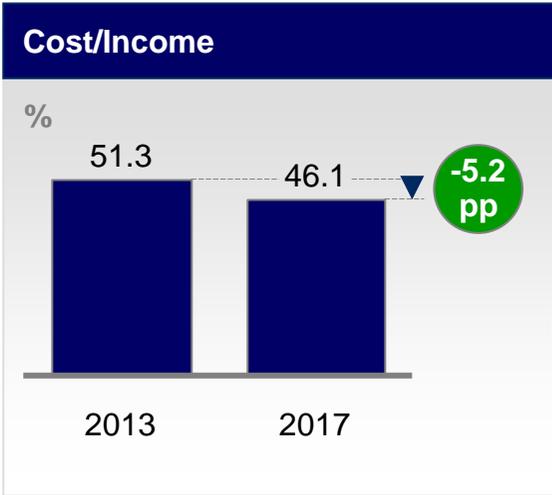
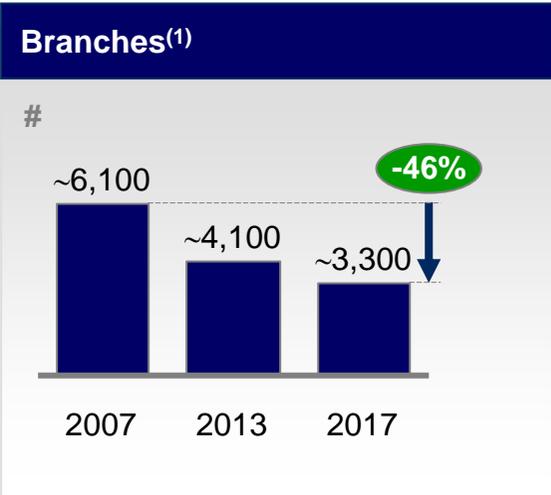
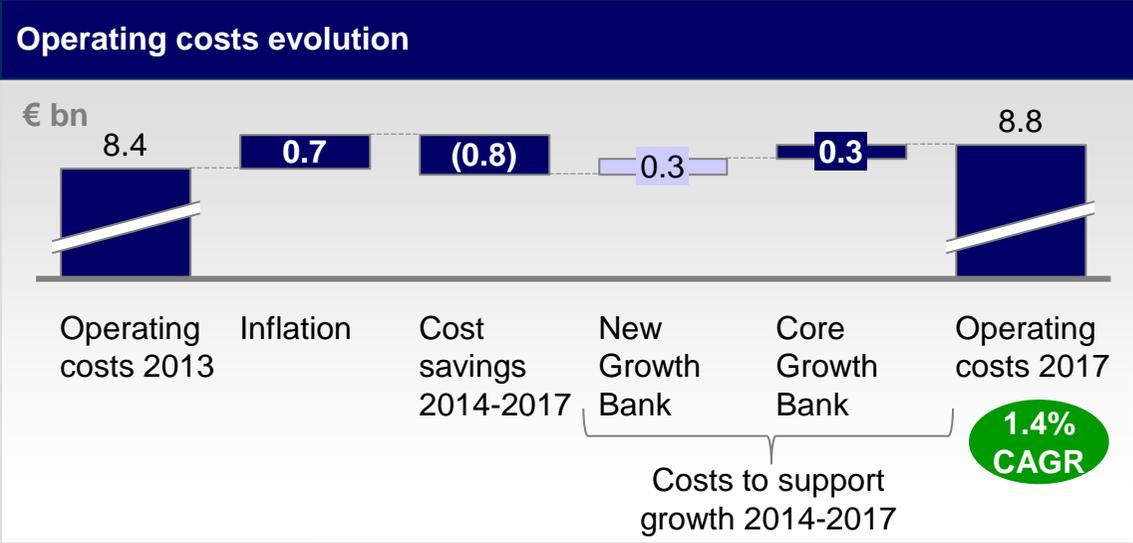
Continuous Cost Management with ~€800mm Savings

Continuous cost management

Simplification of legal entities (reduction of ~15 legal entities) and organisation

Optimisation of geographical footprint (~800 branch closures)

Optimisation of real estate portfolio (-200,000 sqm)

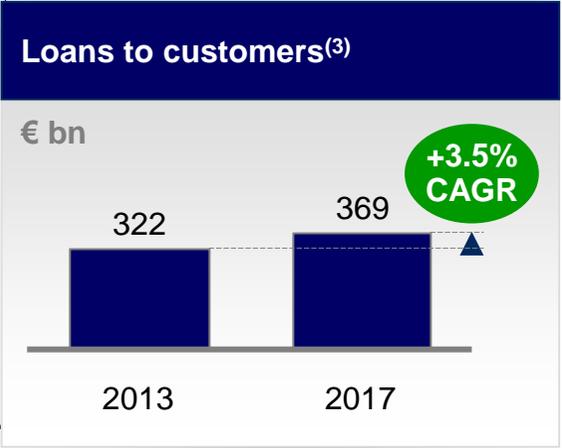
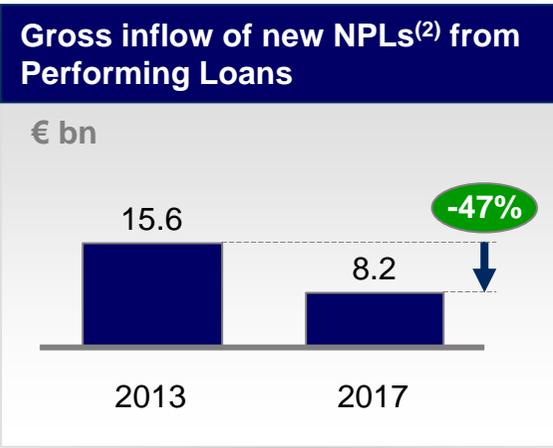
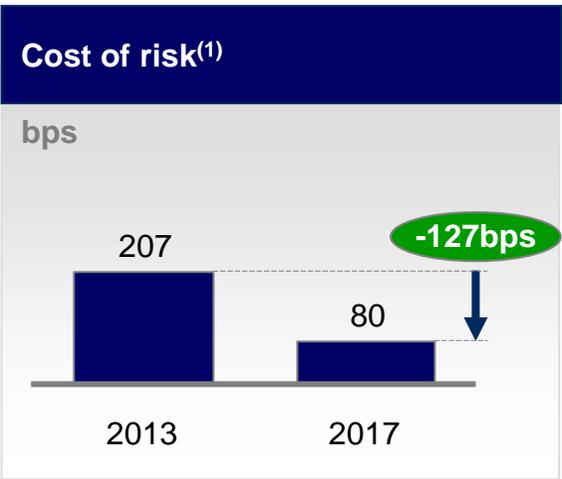
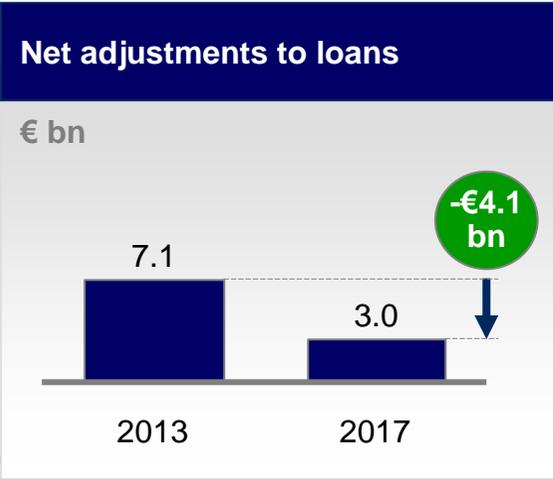


(1) Retail branches in Italy
 Note: Figures may not add up exactly due to rounding differences. CAGR calculated on exact figures

Dynamic Credit and Risk Management

Dynamic credit and risk management

- Reduction of underwriting time
- Proactive credit management
- Integrated management of Substandard and Restructured Loans
- Strengthening of credit structure and capability
- Optimisation of risks, credit monitoring and controls



(1) Net adjustments to loans/Loans to customers
 (2) Doubtful Loans (sofferenze), Substandard Loans (incagli), Restructured (ristrutturati) and Past Due (scaduti e sconfinanti)
 (3) Excluding loans to customers belonging to Capital Light Bank

A Capital Light Bank for Efficient Use of Capital and Liquidity

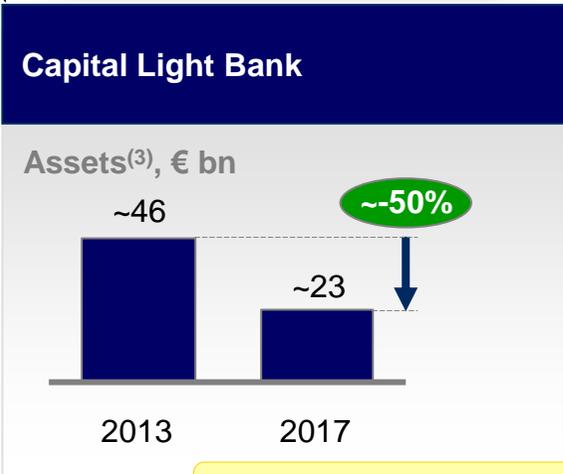
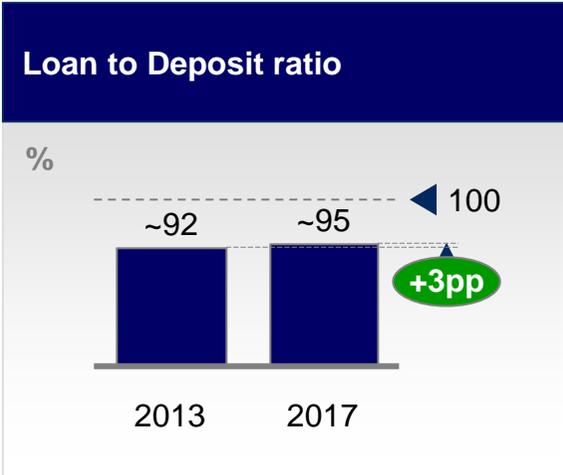
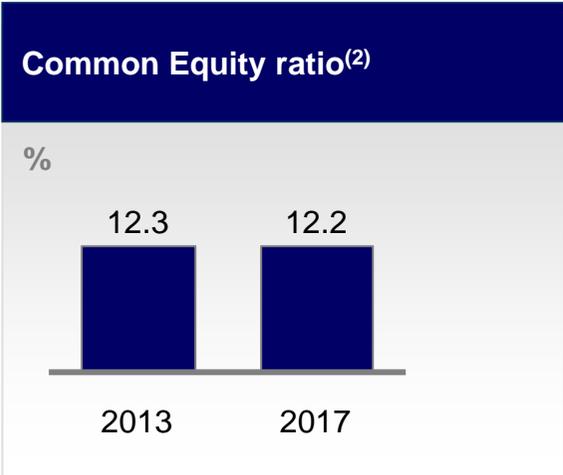
Capital Light Bank: deleveraging on non-core activities (~300 additional people)

Empowerment of doubtful loans unit

Creation of a Re.o.Co⁽¹⁾ for repossessed assets

Disposal of equity stakes

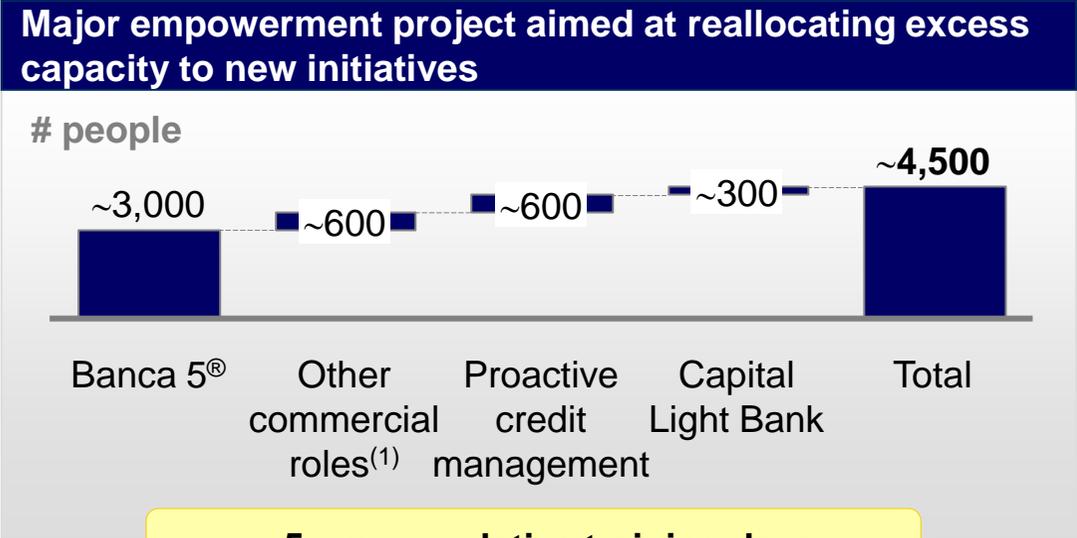
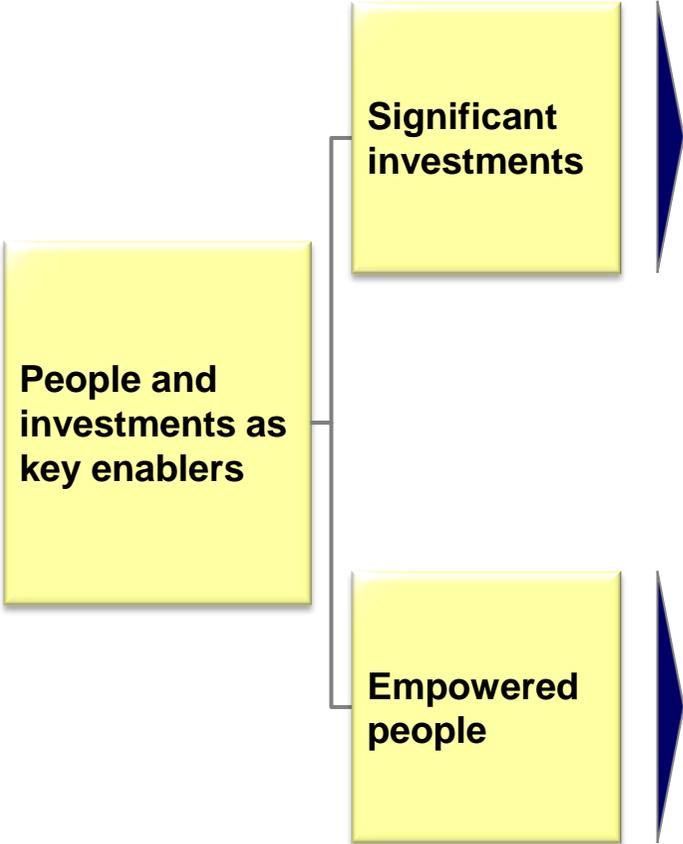
Proactive management of other non-strategic assets



LTRO already fully paid back

(1) Real Estate owned Company
 (2) Pro-forma fully phased-in Basel 3; including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (1bps), from Danish Compromise (13bps) and from the stake in Bank of Italy (86bps); after ordinary dividends
 (3) Gross values

Significant Investments



~5mm cumulative training days

(1) Supporting integrated multi-channeling

Agenda

Key Messages

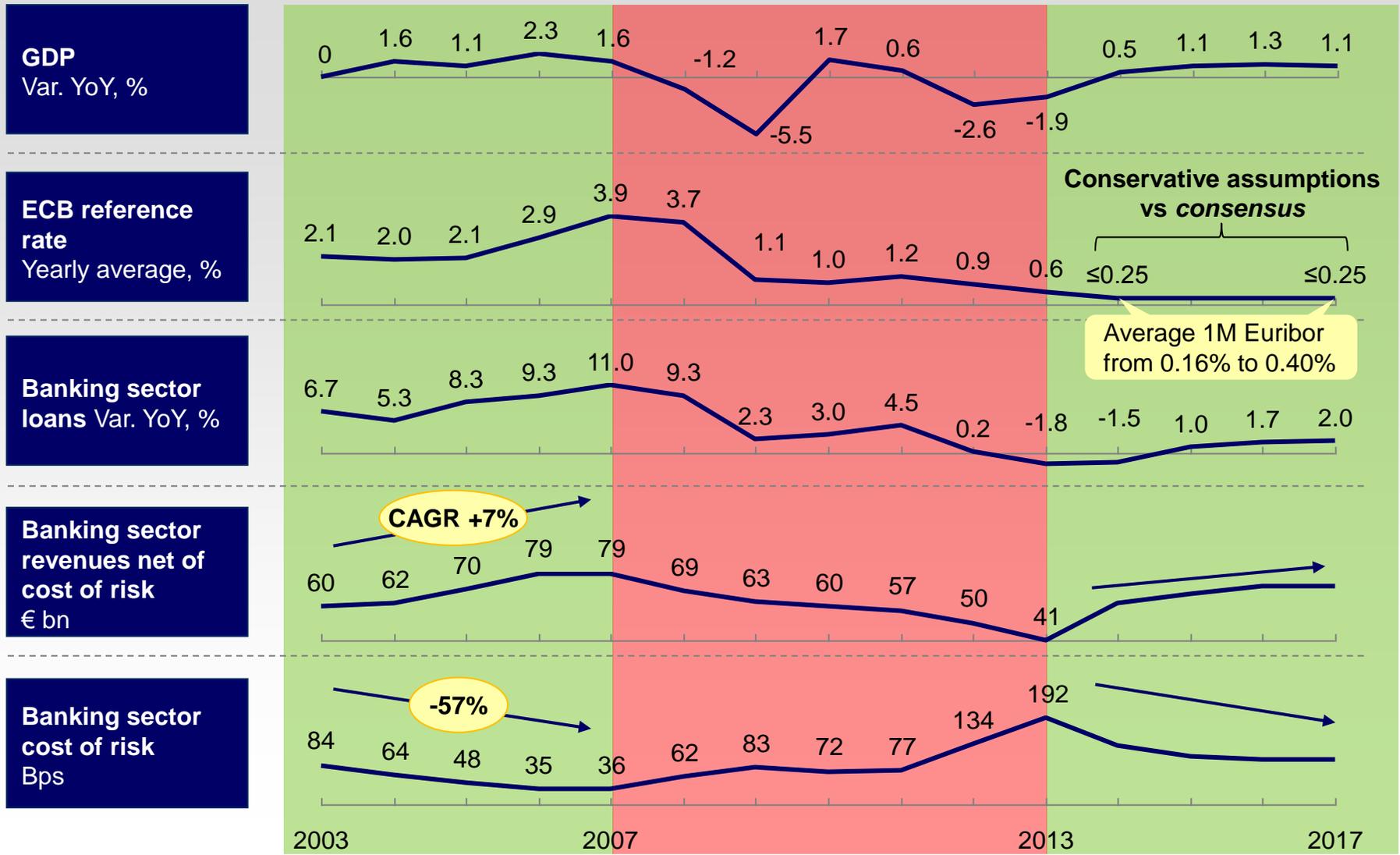
Ready to Benefit from Market Recovery After Years of Recession

Value Creation and Distribution Driven by a Clear, Effective and Shared Action Plan

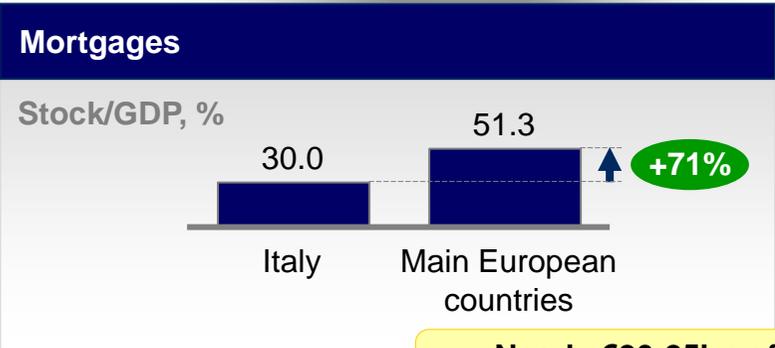
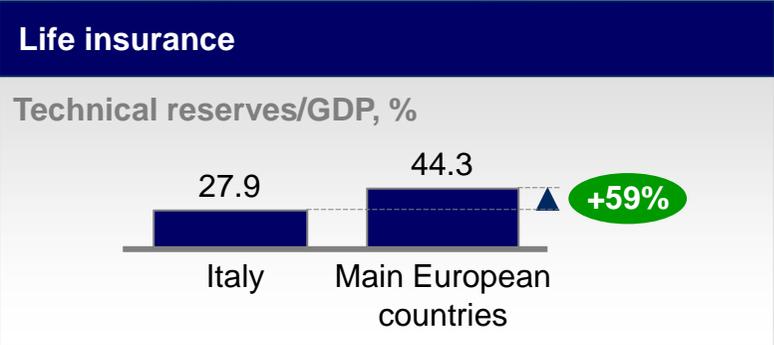
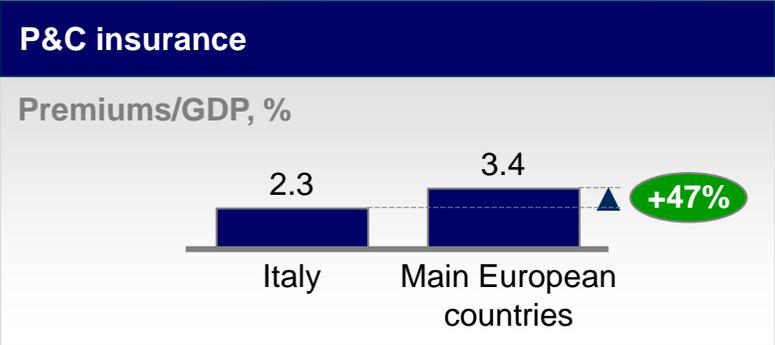
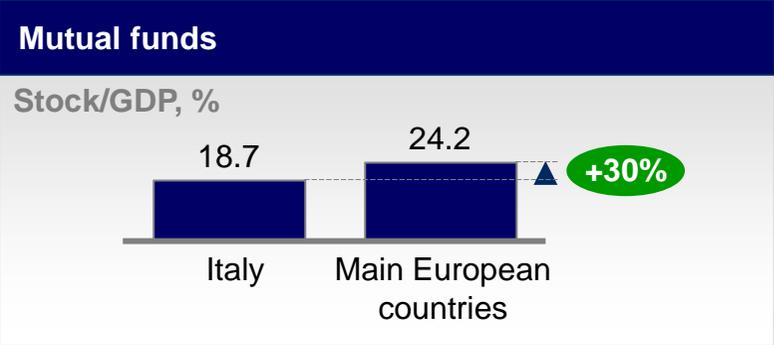
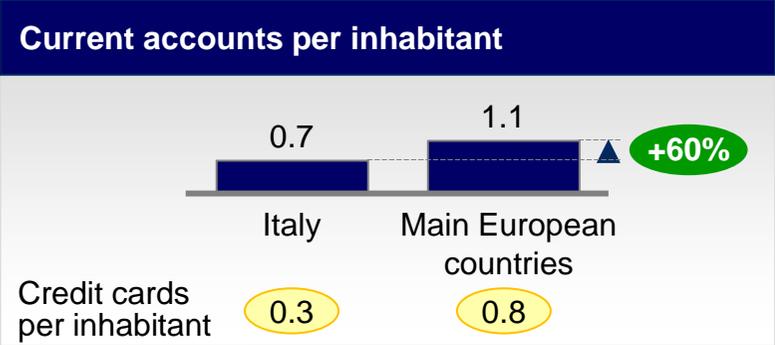
Final Remarks

The Business Plan Assumes Moderate Growth in Italy

Business Plan hypotheses



The Italian Banking Market Has Significant Upside



Nearly €20-25bn of potential additional revenues for the Italian banking system

Note: average 2012 data, sample: France, Germany, Great Britain and Spain
 Source: Central Banks, RBR Payment Cards in Europe, trade associations, ISTAT, WBI, EUROSTAT

Positive Outlook for All Countries in which ISP is Present



Bank	Real GDP CAGR 13-17	Loans ⁽²⁾ CAGR 13-17
VUB Banka⁽³⁾ Slovakia	2.5	5.0
Privredna Banka Zagreb Croatia	1.3	2.5
Banca Intesa Beograd Serbia	1.8	1.6
ISPB Albania Albania	2.5	3.5
CIB Bank Hungary	1.8	-0.6
ISPB Bosnia i Hercegovina Bosnia	2.2	3.9
Banka Koper Slovenia	0.4	-0.7
ISPB Romania Romania	2.9	3.4
Banca Intesa Russia Russia	2.6	11.9
Bank of Alexandria Egypt	4.0	8.2

(1) Market share on total assets
 (2) Banking system
 (3) Also present in Czech Republic

ISP Well Positioned to Benefit from Economic Recovery

Market leader in Italy

Strong balance sheet, further strengthened throughout the crisis

Best-in-class cost/income ratio in Europe

Leader in risk management

Competitive advantage vs peers driven by high market share



Opportunity to grow in different customer segments, both in Italy and abroad

Retail: ~5mm customers with low profitability to be commercially revamped

Private: return on assets far from best in class

SMEs/Corporate: significant share of EVA negative customers, with upside on fees and commissions

International subsidiaries: strategic and commercial initiatives limited by a “silos” approach (Retail, C&IB, AM)



Opportunity to soften the conservative stance adopted during the crisis

Capital well above regulatory requirements

Liquidity buffer

Low leverage

Agenda

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Final Remarks

The Pillars of Our Business Plan: Initiatives Aimed at Maximising Value Creation

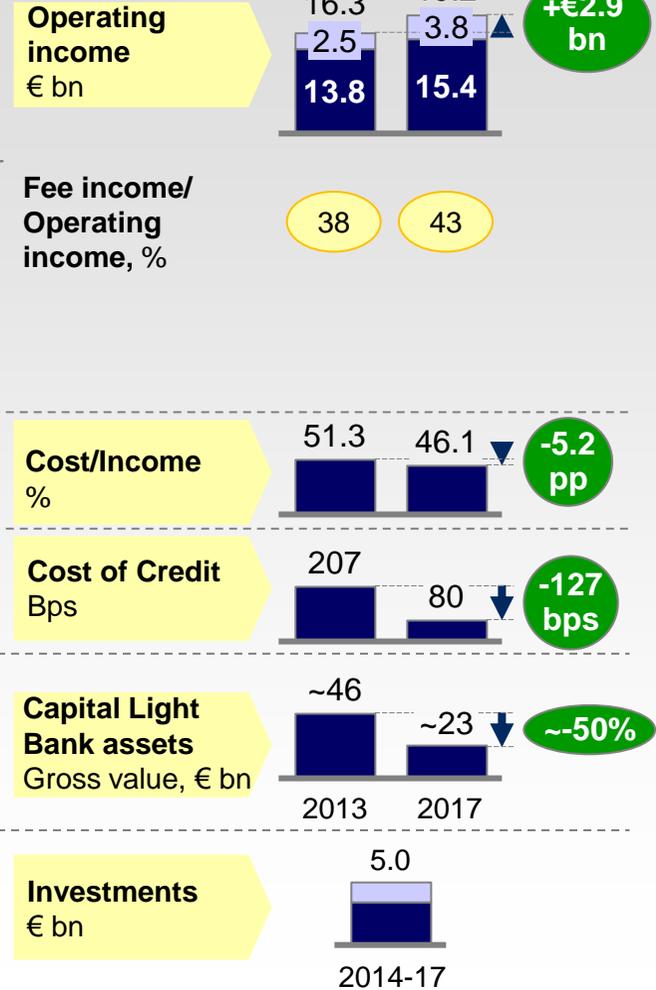
- **New Growth Bank:** New growth engines
- **Core Growth Bank:** Full value extraction from existing business

Main initiatives

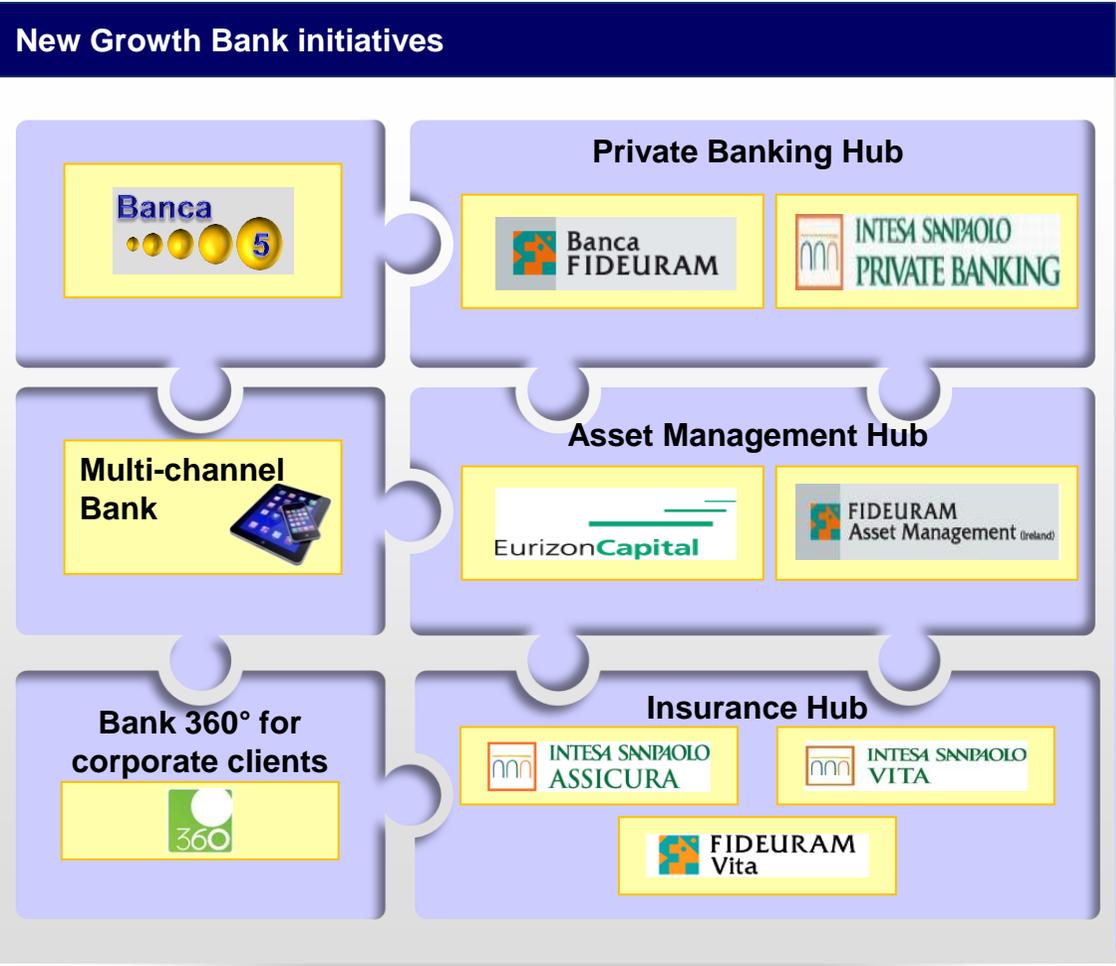
Key indicators

- New Growth Bank: New growth engines**
- Core Growth Bank: Full value extraction from existing business**
- Capital Light Bank**
- People and investments as key enablers**

- Banca 5[®]**
 - Multi-channel Bank
 - Private Banking Hub
 - Asset Management Hub
 - Insurance Hub
 - Bank 360° for corporate clients
- Capturing **untapped revenue potential** in all Business Units with focus on:
 - Banca dei Territori
 - Corporate and Investment Banking
 - Foreign network (“Local Bank abroad” for Italian companies)
 - International Subsidiary Banks
- Continuous cost management:**
 - Simplification of legal entities and organisation
 - Optimisation of geographical footprint
- Dynamic credit and risk management**
- Creation of a dedicated **Capital Light Bank** to deleverage non-core activities
- Significant investments** in ICT and innovation
- Empowered and motivated people** through training, job re-allocation, acknowledgement of individual merit in career development and upgrade of long-term incentives



Multiple New Initiatives Contribute to Value Creation



1 New Growth Bank: Banca 5[®] in BdT

Initiatives

Custom product offering

- Offer of at least **5 key products per customer**: **payment card, credit card, personal financing** (personal loans, “salary-backed loans”⁽¹⁾, mortgage with pre-approval up to €100,000), **P&C insurance, investments** (saving plans and pension funds)
- **“New Jobs”: non-banking services** (e.g., ticketing, real estate brokerage and consultancy, travel) leveraging on dedicated resources

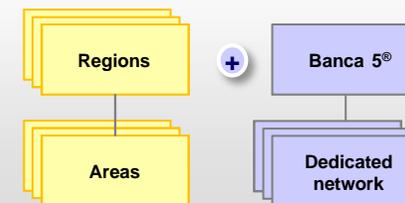
Dedicated commercial value chain

- Creation of a **commercial value chain fully dedicated** to revamping 5 million low profitability clients (average revenue per customer of €70)
- **Re-allocation of people** deriving from footprint optimisation to **Banca 5[®] for commercial activities**

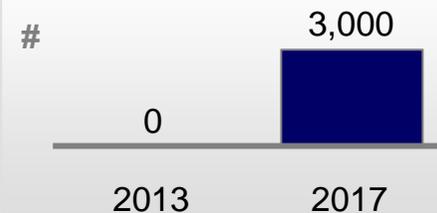
Tailored processes & systems

- **Personalised objectives and incentive schemes**
- **New multi-channel integrated platform** to exploit all contact opportunities with clients
- **Dedicated “Delivery Unit” in BdT Planning & Control department** to accelerate the adoption of new commercial behaviors

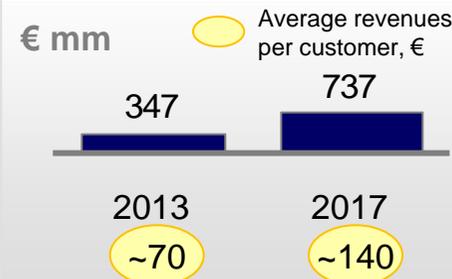
Dedicated commercial value chain



Dedicated relationship managers



Banca 5[®] revenues

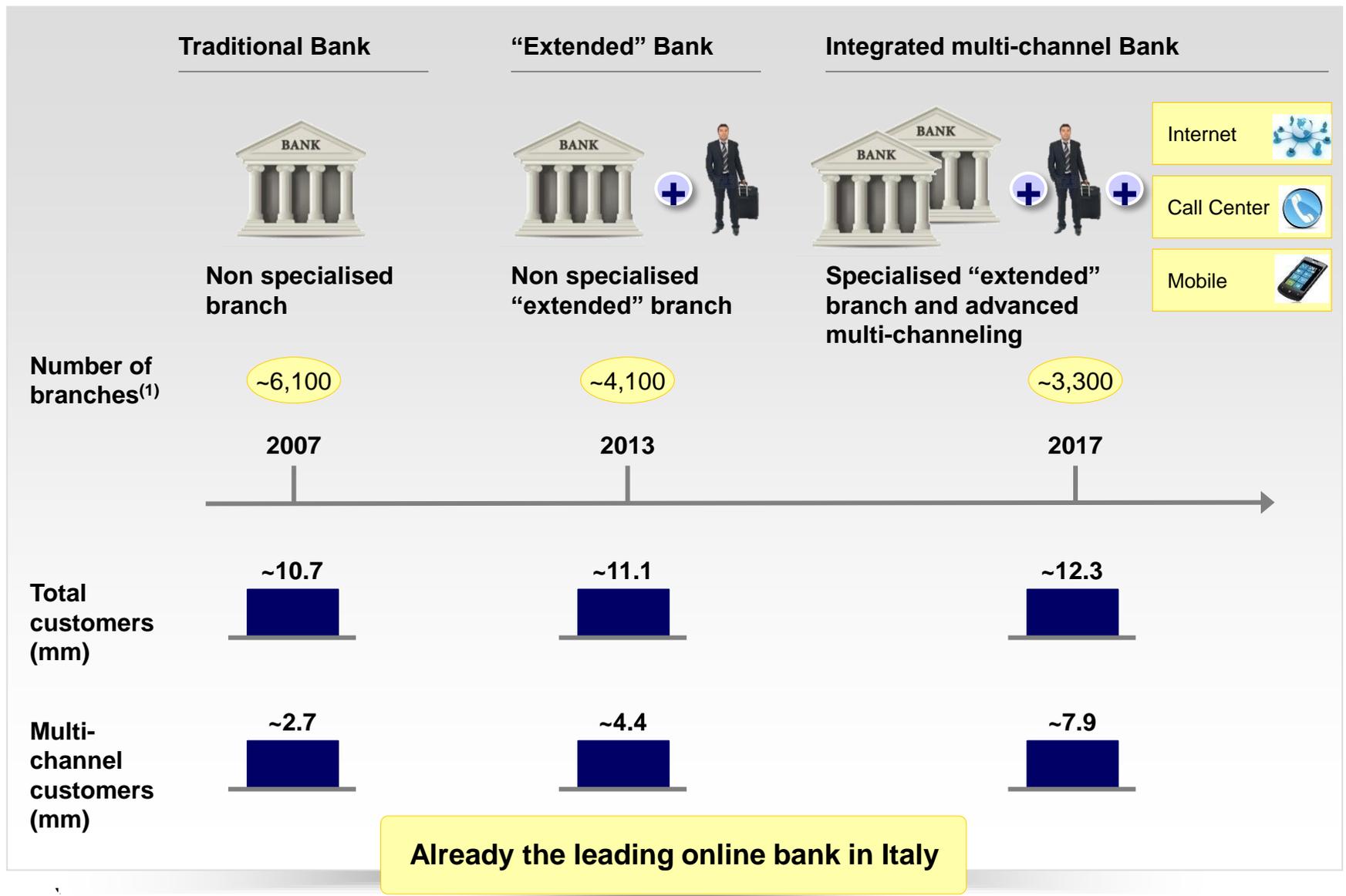


#4 bank in Italy with ~5mm customers

(1) Employee loan repayment by a fifth of wage deduction

1

New Growth Bank: Progressing Along a Successful Multi-channel Journey



(1) Retail branches in Italy

New Growth Bank: A Fully Integrated Multi-Channel Proposition

Initiatives

Specialised role of channels

- **Specialisation and strengthening** of traditional (branch, Contact Unit) and online channels (home banking, tablet, mobile)

Multi-channel purchase paths addressed

- **Strengthening of multi-channel paths** in line with customers' preferences **to increase service level and sales**

Full exploitation of client leads

- Usage of all the different contact points with the client in order **to trigger new commercial opportunities**

Empowerment of mobile commerce

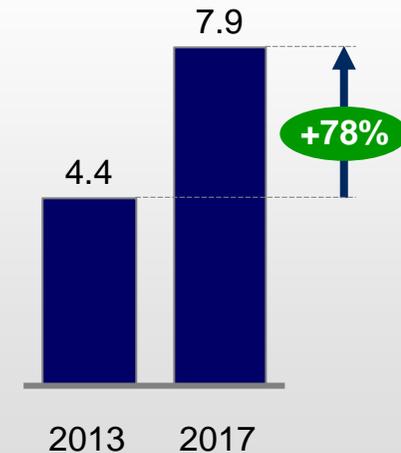
- Increase in **mobile Point of Sale** usage (e.g., Move and Pay Business), through agreements with mobile operators
- Development and implementation of **mobile payment services**
- Offering of high value-added **co-branded credit cards** to **Expo 2015 exhibitors and customers**

Development of e-commerce

- ISP as **aggregator** of e-commerce offerings on behalf of Small Business/SME clients
- Launch of the new **digital proposition** in conjunction with Expo 2015

Multi-channel customers

mm



~€2bn of ICT investments in 2014-2017

Combination of ISPB, Fideuram Investimenti and Banca Fideuram...

2013



€84bn

~5,000

AuM

Private
bankers⁽¹⁾

€81bn

~700

AuM

Private
bankers

Private Banking Hub

€164bn

~5,700

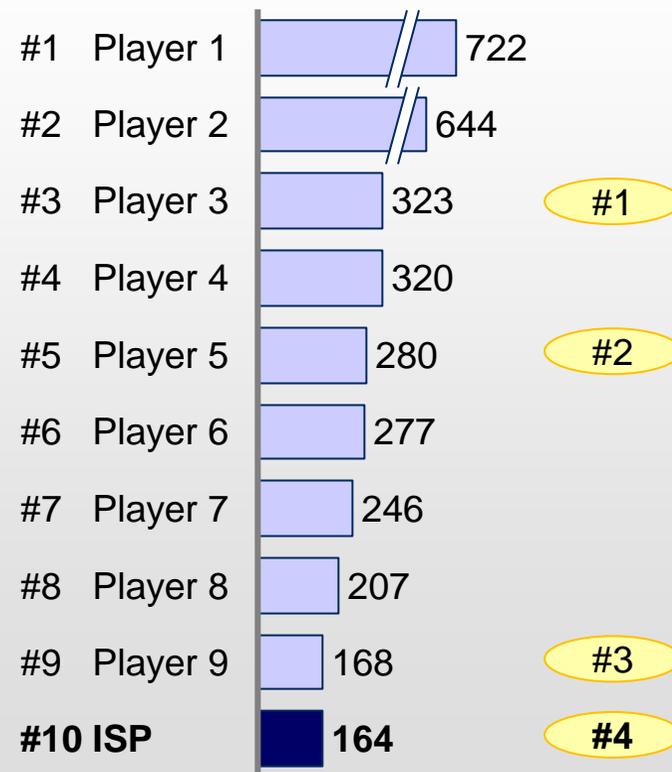
AuM

Private
bankers

...to create one of the leading Private Banking players in Europe

Ranking by AuM⁽²⁾
€bn

○ Ranking in the
Eurozone



Ready to grow internationally,
also through partnerships

(1) Financial advisors

(2) Latest figures available

Note: Figures may not add up exactly due to rounding differences

1 New Growth Bank: Private Banking Hub (2/2)

Initiatives

Improvement in ISPB customer profitability

- Delivery of the distinctive elements of **Banca Fideuram value proposition** to ISPB clients:
 - State-of-the-art financial planning (fee-based)
 - “Guided open architecture”
 - Innovative compensation scheme
- Launch of **commercial initiatives** to **increase ISPB clients profitability**:
 - Remix towards high value added product wrappers
 - Negotiation of rebates with external providers
 - Review of pricing/delegation mechanisms

Focus on Private and HNW clients

- **Strengthening of value proposition** for private clients through the:
 - Creation of a dedicated structure for HNW clients
 - Empowerment of Private centre of competence (products, commercial offer)

Upgrade of product offering

- **Evolution of product and service offering**, with main focus on value-added services (e.g., revised discretionary mandates offering, development of Private Insurance offering)

Distribution network development

- Further **development of current Network** through the acquisition of new financial advisors/private bankers
- **External growth** by exporting current business model to **fast growing markets** (e.g., Turkey), with a "Big Cities" approach

Return on assets



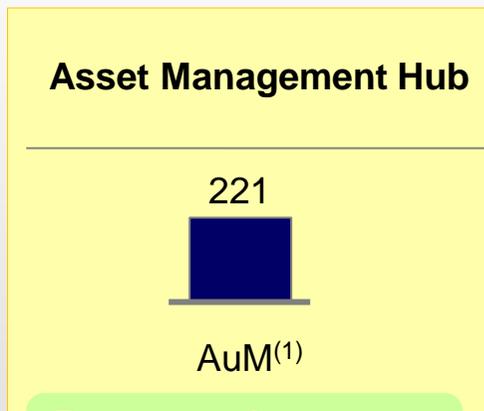
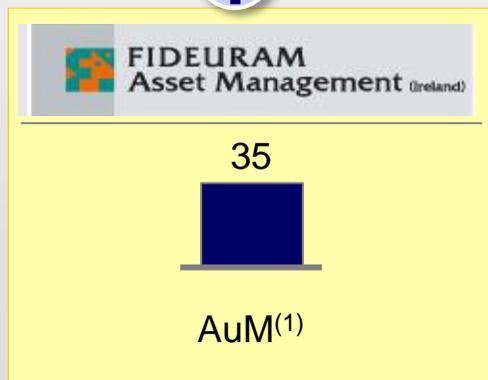
Operating income Private Banking Hub



1 New Growth Bank: Asset Management Hub (1/2)

Integration of Fideuram Asset Management Ireland into Eurizon Capital Group...

€ bn, 2013



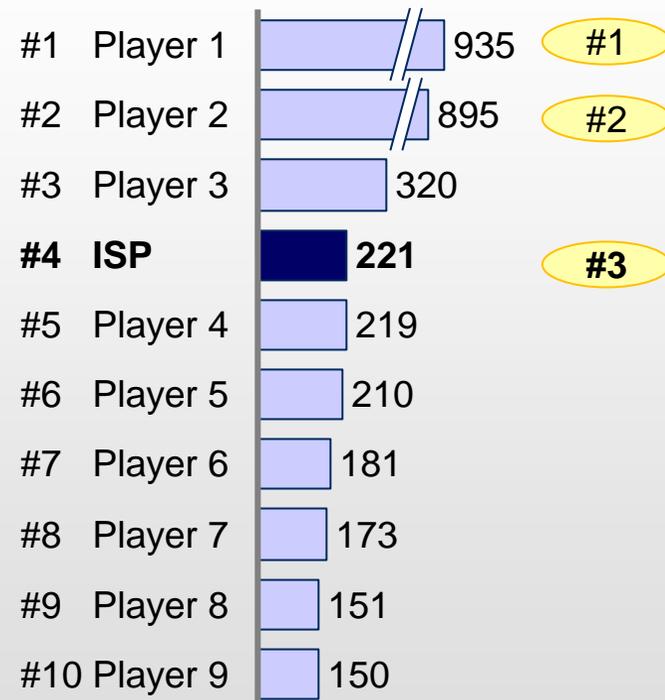
Presence also in Eastern Europe and in China (Penghua Joint Venture)

Enabler for potential partnership with leading-edge international asset managers

...to create one of the leading banking asset managers in Europe

Ranking by AuM of banks⁽²⁾, € bn

○ Ranking in the Eurozone



(1) Gross of duplications in Group's products

(2) Latest figures available

1 New Growth Bank: Asset Management Hub (2/2)

Initiatives

Support BdT growth

- **Increased level of service to BdT network** by strengthening specialist support, new advisory model and reviewing product offering

Support Private Banking Hub growth

- **Increased level of service to Private Banking Hub** by strengthening commercial support and product offering (e.g., guided multi-manager architecture)

Focus on extra-captive and Institutional customers

- **Support growth plan on extra-captive Retail and Wholesale customers**, through full deployment of current service model to third party distribution networks
- **Strengthening** of services provided to **captive Insurance and Institutional customers**, fully leveraging on internal managerial best expertise

Expansion in International Markets

- **Further development of International business**, focusing on **CEE Hub** (with primary focus on Croatia, Hungary and Slovakia) and in other high potential countries

Assets under Management

€ bn



Mutual funds customer penetration

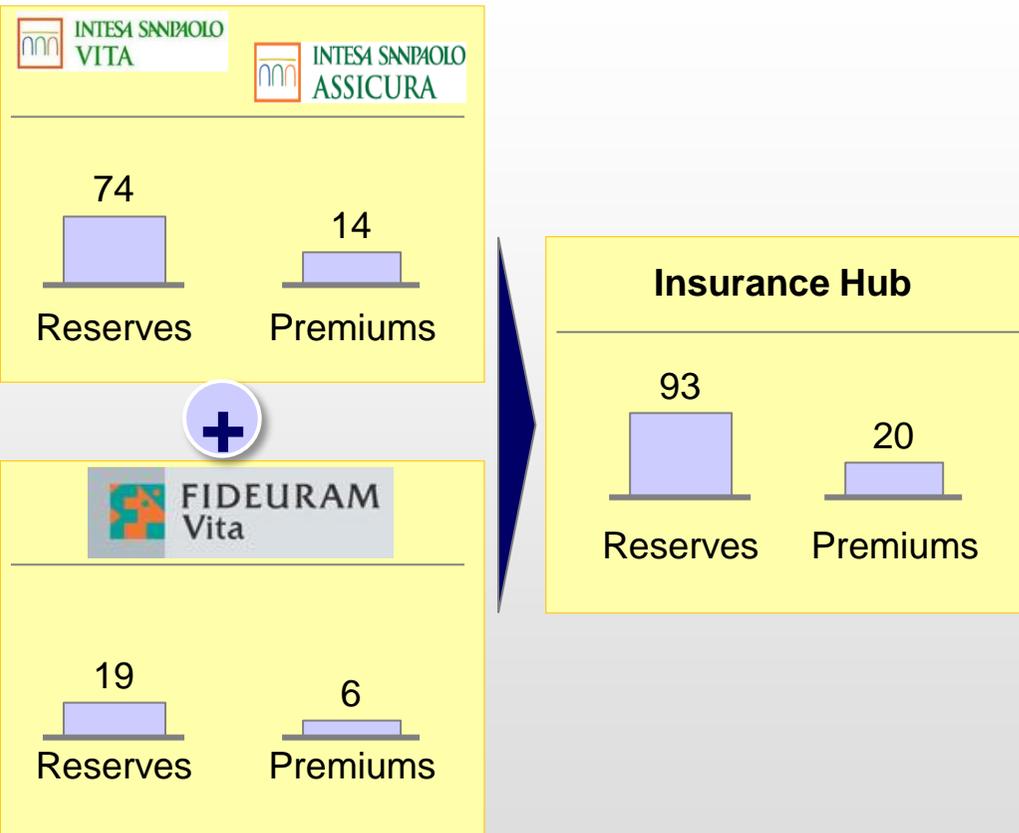
%



1 New Growth Bank: Insurance Hub

Integration of Fideuram Vita into the Insurance Hub...

€ bn, 2013



...to create one of the leading insurers in Italy

Gross premiums Italy⁽¹⁾
€ bn



Enabler for potential partnership with top international insurers

(1) Projection on latest figures available

New Growth Bank: P&C Insurance as Key Priority for Insurance Hub

Initiatives

P&C offer review

- **Launch of a distinctive new offer on P&C insurance, with:**
 - Priority on **car, health and house** products
 - Modular approach, with **a few simple and customisable products**
 - Competitive pricing and distinctive risk underwriting capabilities, driven by the extensive knowledge of customer base

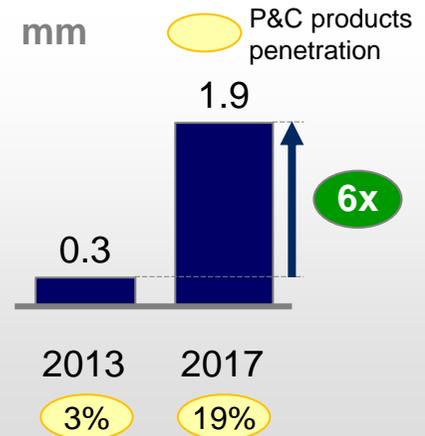
Processes and systems digitalisation

- Progressive digitalisation of systems and processes:
 - **Single IT platform**
 - Dedicated **front-end system**
 - Migration to **"paperless" management** for car products

Back-office centralisation and simplification

- Centralisation of support and back-office activities at Group level
- **Review of back-office and workflow management processes** to increase simplicity and functionality

P&C insurance customers



P&C insurance premiums



1 New Growth Bank: Bank 360° for Corporate Clients

Initiatives

Partner bank for Expo 2015

- **Leverage the Expo 2015 exhibition**, of which ISP is an **Official Global Partner**, through a dedicated offer targeting corporates, which includes:
 - Advisory services, with focus on businesses operating in Expo sectors (e.g. food)
 - Financing services, to build the necessary infrastructures

SME Finance Hub in Mediocredito Italiano

- Set-up of a SME Finance Hub (new Mediocredito Italiano) with a:
 - **Comprehensive product offering** in advisory and specialised credit (leasing, factoring, specialised loans)
 - **Dedicated operating model**, featuring strong collaboration between relationship managers and Banca IMI and SME Finance Hub product specialists

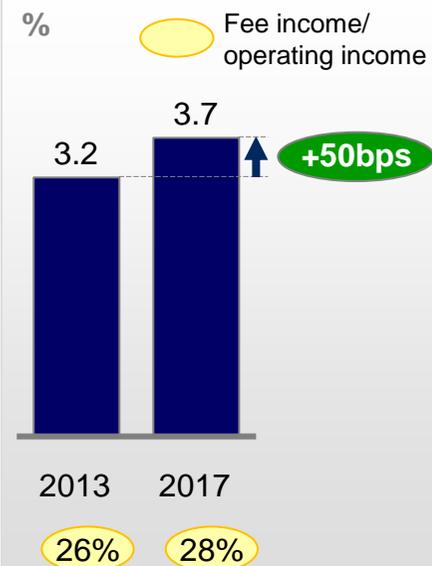
Transaction Banking

- Set-up **dedicated business unit** within C&IB Division operating at Group level to further increase commercial appeal of transaction banking products through:
 - **Development of new products**
 - **Coverage optimisation** (also via partnerships)

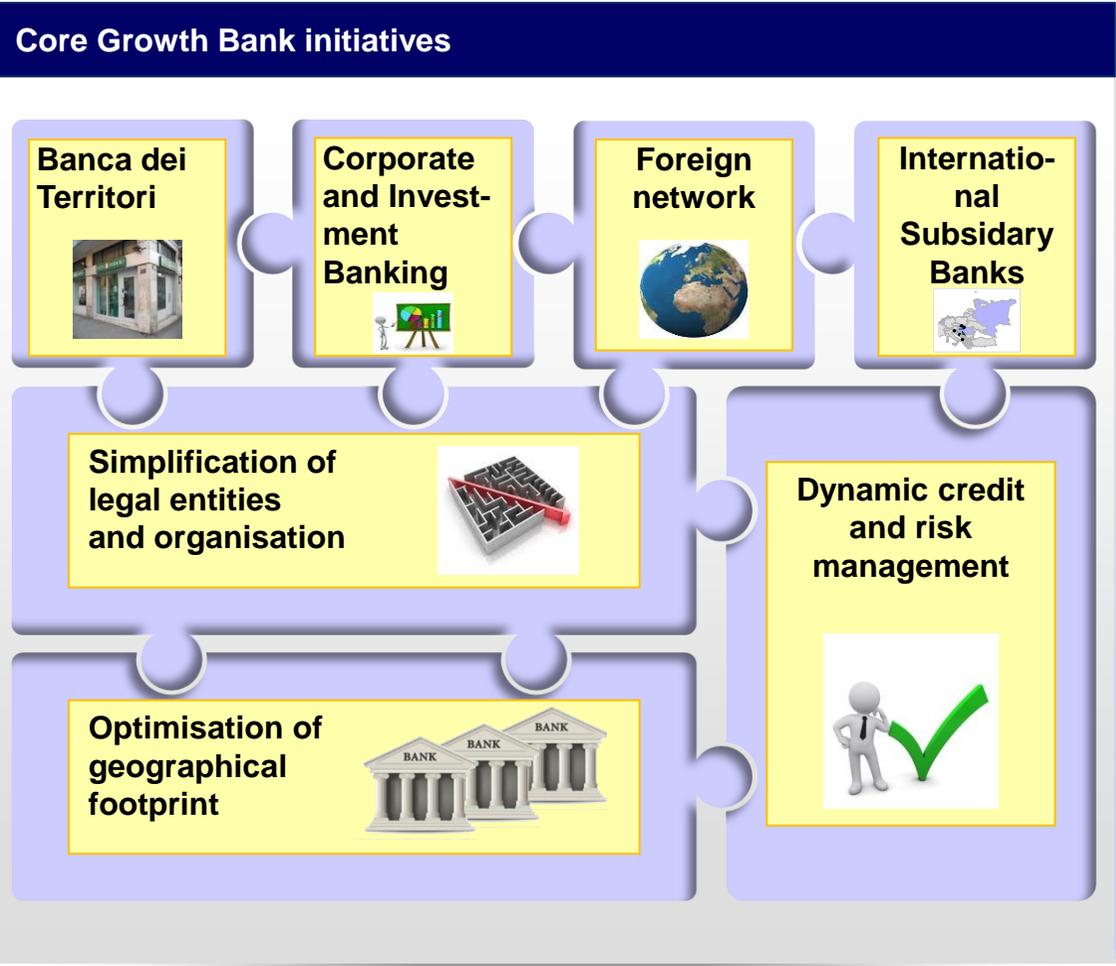
Banca IMI extended offer

- Expand Banca IMI offer:
 - Asset-backed **trading on commodities** for Corporate clients
 - **New hedging products**
 - Dedicated **product offer for UHNWI⁽¹⁾** (e.g., family office) in coordination with Fideuram to fully address the needs of enterprise-entrepreneur

Operating income/loans to SME and Corporate clients



Multiple New Initiatives Contribute to Value Creation



Core Growth Bank in Banca dei Territori: Initiatives to Capture Untapped Revenue Potential

Initiatives

Customer service model optimisation

Project Full Potential (Mass customers)

- Focus on customer satisfaction and cross-selling of "small tickets" (e.g., cards, accumulation plan) also through the "Extended Branch" model
- Development of Corporate client employees, through dedicated account managers

Project Investment House (Affluent customers)

- Switch of customer financial assets towards a better risk/return profile mix
- Initiatives dedicated to foster client retention
- "Offsite" offering: licensed relationship managers⁽²⁾ for *Personal* customers increasing from 850 to 2,000

Project "Impresa- Imprenditore"⁽¹⁾ (SME customers)

- "Offsite" offering
- Review of the service model for SME customers
- Active re-pricing through centralisation of decisions
- Development of synergies between enterprises and entrepreneurs

Commercial excellence

- Commercial focus on high value customers with reduction in number of clients per relationship manager
- Commercial activity focused on contacts with clients and leveraging on leads generated by the integrated multi-channel platform
- New commercial process: increased branch activities' planning with extensive coverage of clients, leveraging dedicated service models

Operating income BdT⁽³⁾

€ bn



Licensed⁽²⁾ relationship Managers

#



(1) Enterprise-entrepreneur

(2) License of Financial Advisor

(3) Core Growth Bank only

Core Growth Bank in C&IB: Initiatives to Capture Untapped Revenue Potential

Initiatives

Asset Light model development

- Development of an “originate-to-distribute” model, to increase customer service potential, improve the Division’s balance sheet and leverage on existing C&IB Italian customers

Increase in business with foreign customers

- Selective growth of high potential foreign customers, following pre-defined guidelines: sectorial excellence, focus on selected geographies, full integration of the product value chain, strengthening of London Hub

New offer for Financial Institutions

- Optimisation of coverage and product offering to act as a “solution provider” with focus on 3 client segments: Italian banks, Foreign Banks, Asset Management/Insurance companies

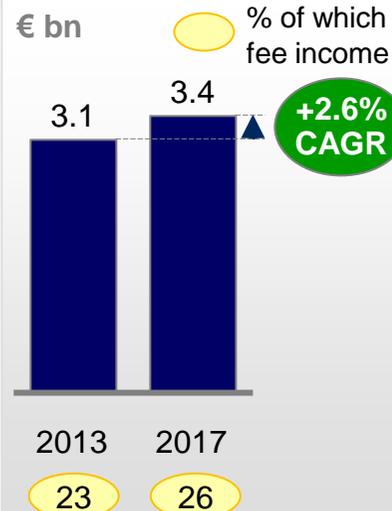
Selective growth of Corporate clients in Italy

- Selective growth strategy for **Corporate Italian customers**, through the optimisation of asset allocation (e.g., share of wallet) and further alignment of pricing to risk

Strengthening of advisory services in Italy and abroad

- Creation of a **dedicated team** to: support SME Finance Hub in Banca dei Territori on M&A initiatives, improve Italian tier 2 banks coverage and cover cross-border deals

Operating income C&IB⁽¹⁾



(1) Including Banca IMI; Core Growth Bank only

Core Growth Bank in C&IB: Banca IMI as a Key Growth Engine for Corporate, Institutional and Retail Customers

Initiatives

Client focus

- **Extensive coverage of Group C&IB clients:** Corporate and Institutional
- **Further development of synergies with other Group units:** Asset Management Hub, Banca dei Territori, Private Banking Hub
- Further focus on **client-driven activities**

Effective placement and execution within the “originate to distribute” model

- Focus on institutional investors, in charge of **distribution** and **execution** in the “**originate to distribute**” business model
- Increase in **fee-driven revenues**

Leadership in selected products

- **Leadership in selected products**
 - DCM
 - Capital Markets – Flows and Solution
 - Advisory
 - Structured and Project Finance

Banca IMI operating income

€ bn



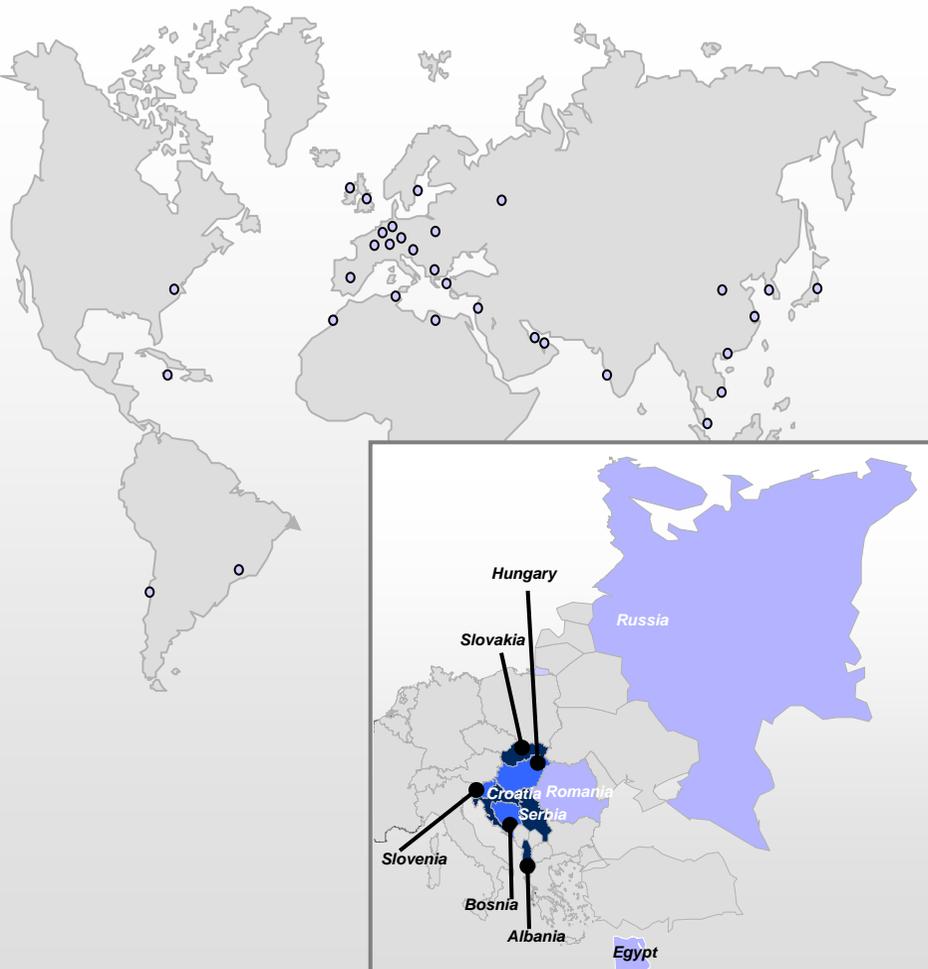
Client driven Cap. Markets revenues/ Total Cap. Markets revenues

%



2.1 Core Growth Bank: Foreign Network, the “Local Bank Abroad” for Italian Companies

Strong geographical footprint⁽¹⁾



ISP covers 10 countries through the ISBD⁽³⁾ and the main financial centres worldwide through the international C&IB network

Initiatives

Support to Italian companies abroad

- **Support to Italian "champions"** in their internationalisation strategy through:
 - **New products**
 - Dedicated service model, leveraging the **international network** and **experience** into new geographies

International C&IB foreign network expansion

- **Selective growth**, starting from “**high potential**” countries (e.g., Brasil, Turkey, Abu Dhabi, Qatar, Indonesia), through:
 - New branch openings
 - A global and tailored product offer (e.g., TEF⁽²⁾, Capital Markets as global products, DCM and factoring as pan-European products)
 - Strengthened service model

C&IB Hub within ISBD⁽³⁾

- Creation in the key ISBD⁽³⁾ countries of a C&IB Hub, **dedicated to Corporate and Financial Institution clients**, fostering a distinctive product offer in cooperation with Banca IMI

(1) Subsidiaries, branches and representative offices
 (2) Trade Export Finance; (3) International Subsidiary Banks Division

Core Growth Bank in International Subsidiary Banks: Initiatives to Capture Untapped Revenue Potential

Strategic guidelines

Strengthen presence

Description

- **Strengthening of presence** in key and/or high potential markets such as **Slovakia, Serbia, Croatia** and **Egypt⁽¹⁾**, through:
 - **Volume growth** above the market
 - **Optimisation of segment and sector** coverage
 - **Optimisation** of traditional and online **channels**
- **Launch of cross-country initiatives** with particular focus on high potential markets (e.g., consumer finance international expansion, launch of insurance products for SMEs)

Review/ Re-think presence

- **Review/Re-position presence** in the countries without adequate scale or in a turnaround situation, like **Albania, Bosnia, Slovenia, Hungary, Russia** and **Romania** by:
 - **Maintaining presence** with **full extraction of synergies** and improvement of efficacy/efficiency
 - **Evaluating scale-up** option in the most attractive countries
 - **Agreements** with other international players

Review of the operating model

- **Optimisation of operating model** to enjoy tighter **control** and increased **guidance** over the subsidiaries, along **5 key dimensions**: (i) governance, (ii) control/support, (iii) commercial strategy, (iv) product offer, (v) IT and operations

Operating income International Subsidiary Banks⁽²⁾

€ bn



(1) In case the political situation stabilises

(2) Excluding Ukraine

Initiatives for Continuous Cost Control: Simplification of the Organisation (example BdT)



From ...

HQ

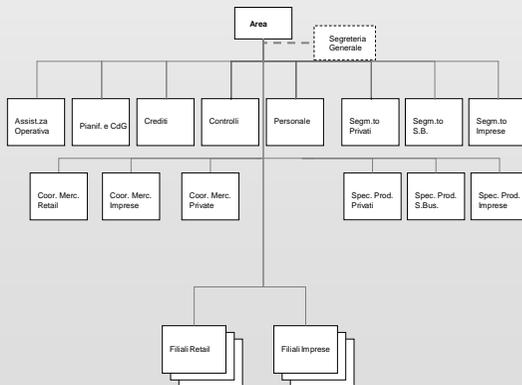
- 22 direct reports

Regions
(7)

- Limited power to steer the network

Areas
(2-6 per
Region)

- Fully-fledged “local” HQs, creating duplication and fragmentation



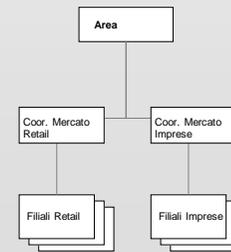
...To

- 6 direct reports

- Empowered governance & control centres, with **Regional Managers** acting as **general managers** “on the ground”

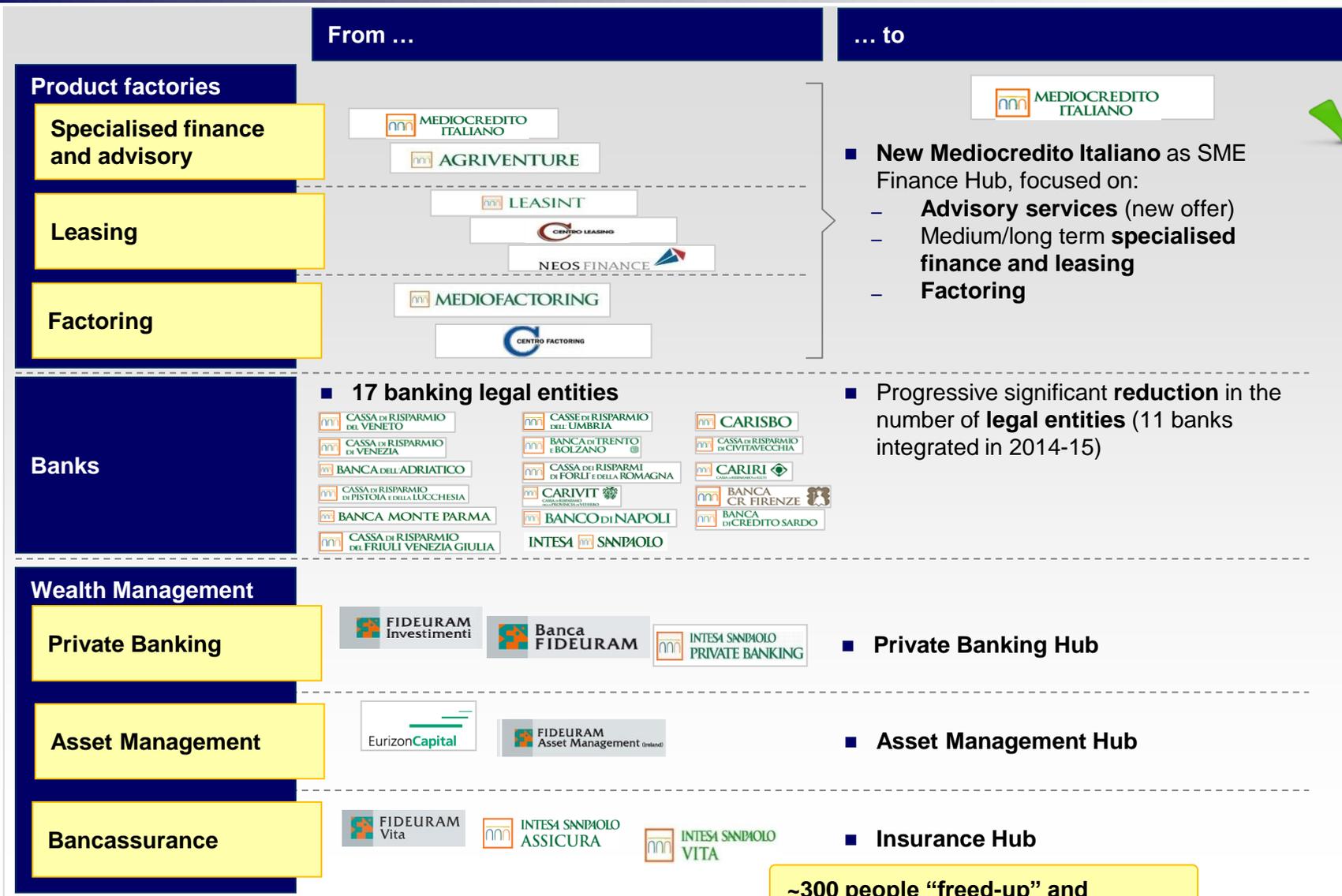
- 100% focus on commercial activities and **client servicing**, with credit support functions consolidated in the Regions

- Serving all main client segments in Italy, including **~2,600 Mid Corporate clients** with turnover up to €350mm transferred to BdT to foster proximity



~2,300 people “freed-up” and reallocated to commercial activities

Initiatives for Continuous Cost Control: Simplification of Legal Entities



~300 people “freed-up” and reallocated to commercial activities

Operational Simplification: Further Steps in Optimising Geographical Footprint

Clear strategy to optimise geographical footprint

Branch network

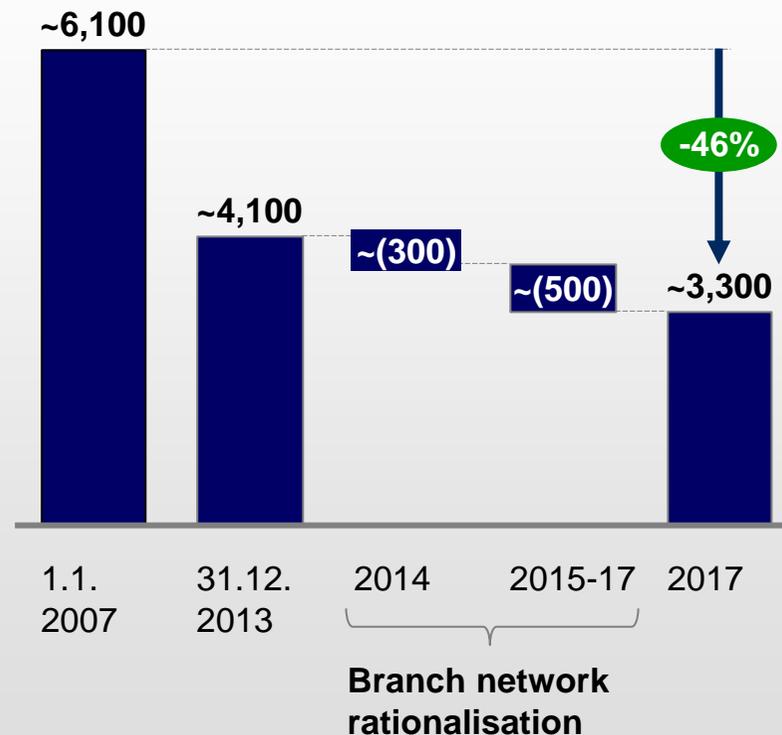
- ~800 branch closures, of which ~300 by 2014
- **Creation of highly automated self-service areas** in strategic high-traffic zones
- **Rationalisation of other distribution networks** of the Group:
 - SMEs/Mid-corporate network
 - Network of **product factories**

Branch operating model

- Adoption of differentiated branch models (e.g., “full-fledge” branch vs “basic” branch)
- **Free-up of commercial time in “basic” branches** through digitalisation:
 - **Centralisation of administrative and control activities**
 - **Increase of automation levels** and reduction of cashier desk utilisation (e.g., cashier-free branches)
 - “Offsite” relationship managers (e.g., for “Personal” client)
- **Extended opening hours for branches** (until 8pm, during lunch time, Saturday morning)

Branch reduction

Number of branches⁽¹⁾



~1,000 people “freed-up” from geographical footprint optimisation and ~400 from Bank digitalisation

2.3 Dynamic Credit and Risk Management Initiatives

Initiatives

Reduction of underwriting time

- **Redesign of underwriting practices** (e.g., ECA⁽¹⁾ Corporate, credit limit for creditworthy counterparts)
- **Shortening of the decision-making chain**
- **Introduction of pre-approval** for “small ticket” loans to high rating clients

Proactive credit management

- **Ramp-up of proactive credit management value chain** with strengthening of dedicated teams, introduction of new tools and segment specific processes

Integrated management of Substandard and Restructured Loans

- Evolution of the **Substandard Loans unit** applying a business-unit-model to proactively manage the significant portfolio of **high value substandard and restructured loans** through: dedicated P&L, additional people, closer relationship with the front-line and partnerships with specialised operators on restructured loans

Strengthening of credit structure and capabilities

- **Reorganisation of the CLO Area**, to foster closer cooperation with business units and integrated management of the full credit value chain
- **Launch of a capability building program dedicated to credit**, involving ~13,000 network people

Optimisation of risks, credit monitoring and controls

- Strengthening of “**control system**” driven by the re-design of the first and second “lines of defense”
- Implementation of a consistent and high frequency “**Risk Data and Reporting**” framework for the Group
- Strengthening of **credit monitoring** teams and tools

Gross inflow of new NPLs⁽²⁾ from Performing Loans

€ bn



Cost of risk⁽³⁾

bps



(1) Electronic Credit Application

(2) Doubtful Loans (sofferenze), Substandard Loans (incagli), Restructured (ristrutturati) and Past Due (scaduti e sconfinanti)

(3) Net adjustments to loans/Loans to customers

Dynamic Credit and Risk Management: Initiatives for Proactive Credit Management

Initiatives

Dedicated team

- Creation of a **value chain dedicated to managing borrowers** that show first signs of anomaly:
 - Separated from value chains dedicated to underwriting and NPLs management respectively
 - Applied across all Divisions (~300 people already active in BdT)
- Roll out of **dedicated training modules** (>1,000 training days)

New tools

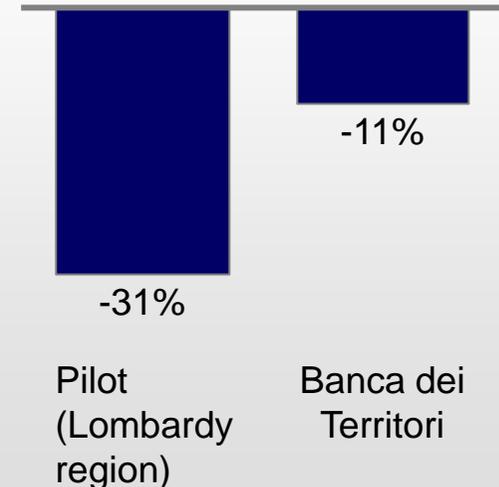
- Development of a **new tool to support proactive credit management** for the preparation of the Action Plan

Differentiated processes

- Introduction of **proactive credit management processes, differentiated by customer segment**

Gross inflows from performing loans to past due

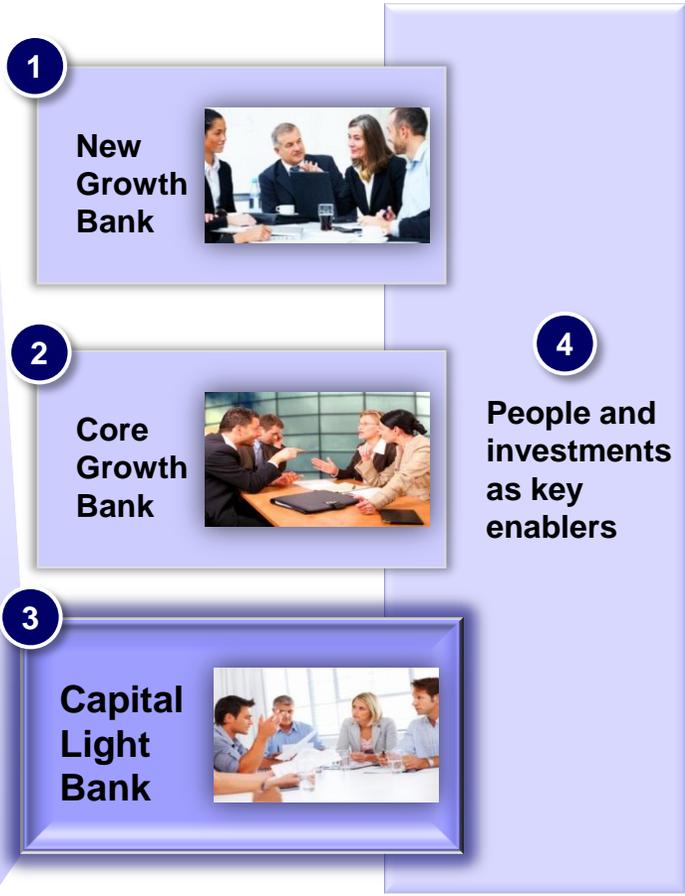
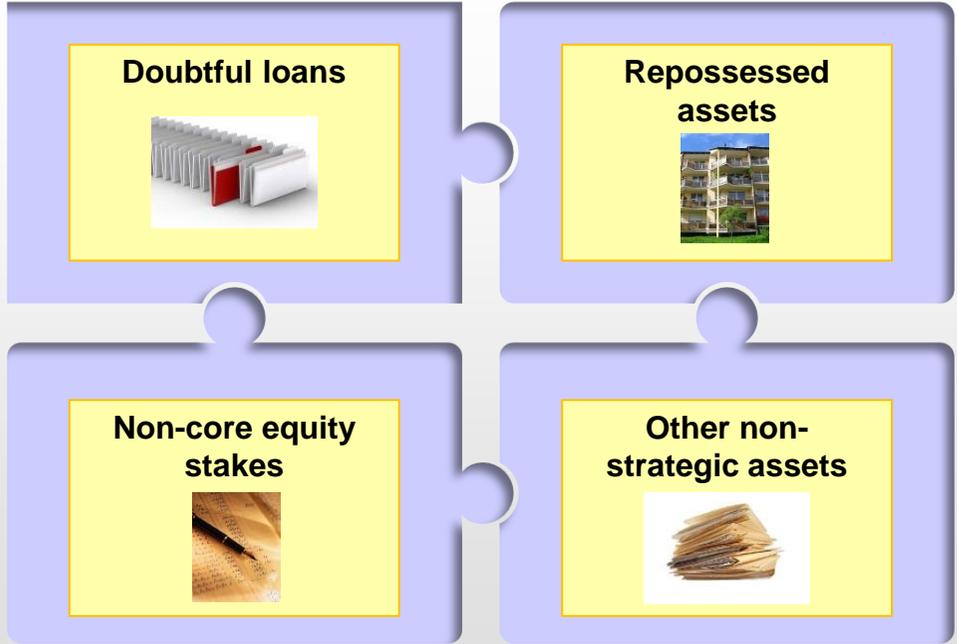
Δ 2014⁽¹⁾ vs 2013



New process of proactive credit management tested in Lombardy, already operational in all regions

Multiple New Initiatives Contribute to Value Creation

Capital Light Bank initiatives



Creation of the Capital Light Bank to Reduce Non-core Assets (1/3)

Main guidelines

Creation of the Capital Light Bank
Business Unit:

- **In charge of a "closed" portfolio of ~€46bn⁽¹⁾**, including:
 - Doubtful loans ~€27bn
 - Repossessed assets ~€3bn
 - Non-core equity stakes ~€2bn
 - Other non-strategic assets ~€14bn
- **Dedicated reporting and incentive systems** with the objective of maximising portfolio wind-down and to create economic value
- **~700 dedicated people of which ~300 additional**

Main benefits

Transparency

- Provide **transparency** to all **stakeholders** on Group performance

Effective recovery

- Ensure **higher accountability, investments, managerial focus and flexibility** in managing dedicated resources

Optimisation of funding

- **Create schemes** to optimise the cost of funding

Synergies of scope

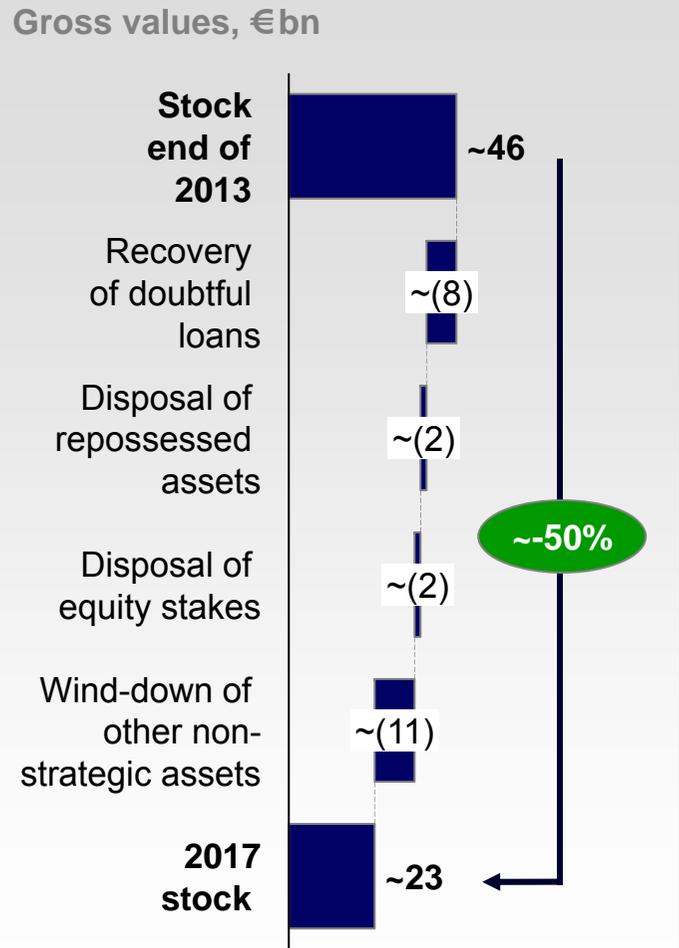
- Create a **single centre of excellence** with expertise in **both assets and financial market players**, useful for asset disposals

3 Creation of the Capital Light Bank to Reduce Non-core Assets (2/3)

Initiatives

<p>Empowerment of doubtful loans units</p>	<ul style="list-style-type: none"> ▪ Dedicated systems of performance and incentives measurement ▪ Strengthening of the operating model ▪ Portfolio segmentation to ease deconsolidation and optimise funding (involving external investors)
<p>Creation of Re.o.Co.⁽¹⁾ for repossessed assets</p>	<ul style="list-style-type: none"> ▪ Creation of a unit dedicated to repossess real estate collateral underlying NPLs where value is penalised by market illiquidity ▪ Strong focus on asset value increase and sale in more favourable market conditions ▪ Full exploitation of synergies with Group's other units to maximise value of repossessed assets
<p>Disposal of equity stakes</p>	<ul style="list-style-type: none"> ▪ Sale of the portfolio of equity stakes through both direct disposals and structured deals
<p>Proactive management of non-strategic assets</p>	<ul style="list-style-type: none"> ▪ Strengthening of dedicated teams ▪ Proactive wind down of portfolios by accelerating value recovery

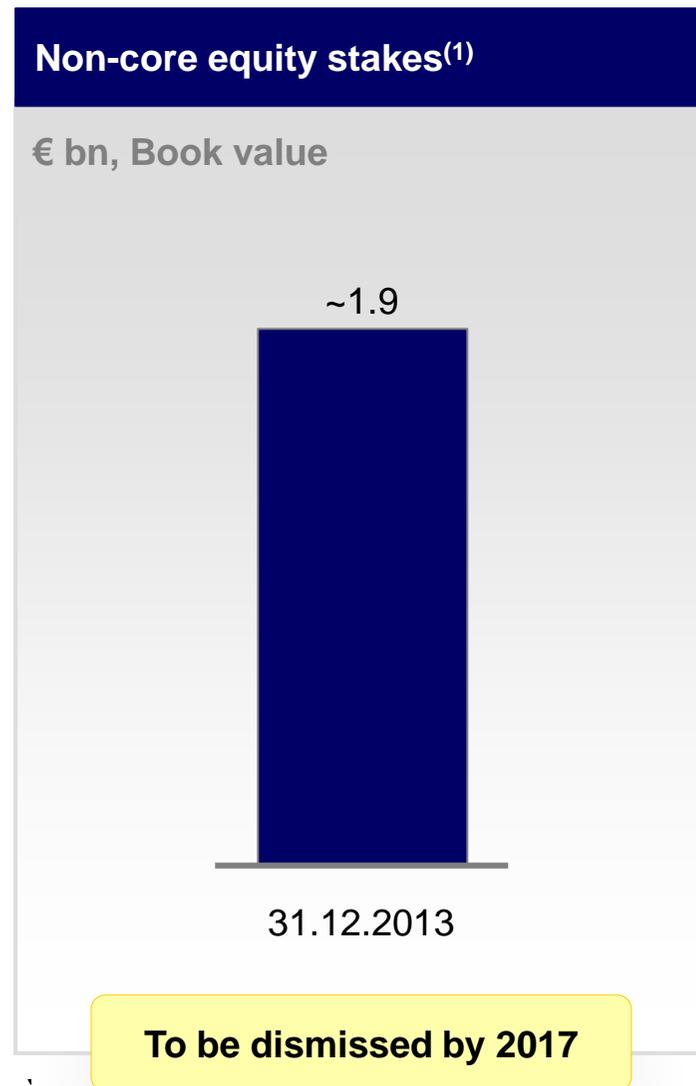
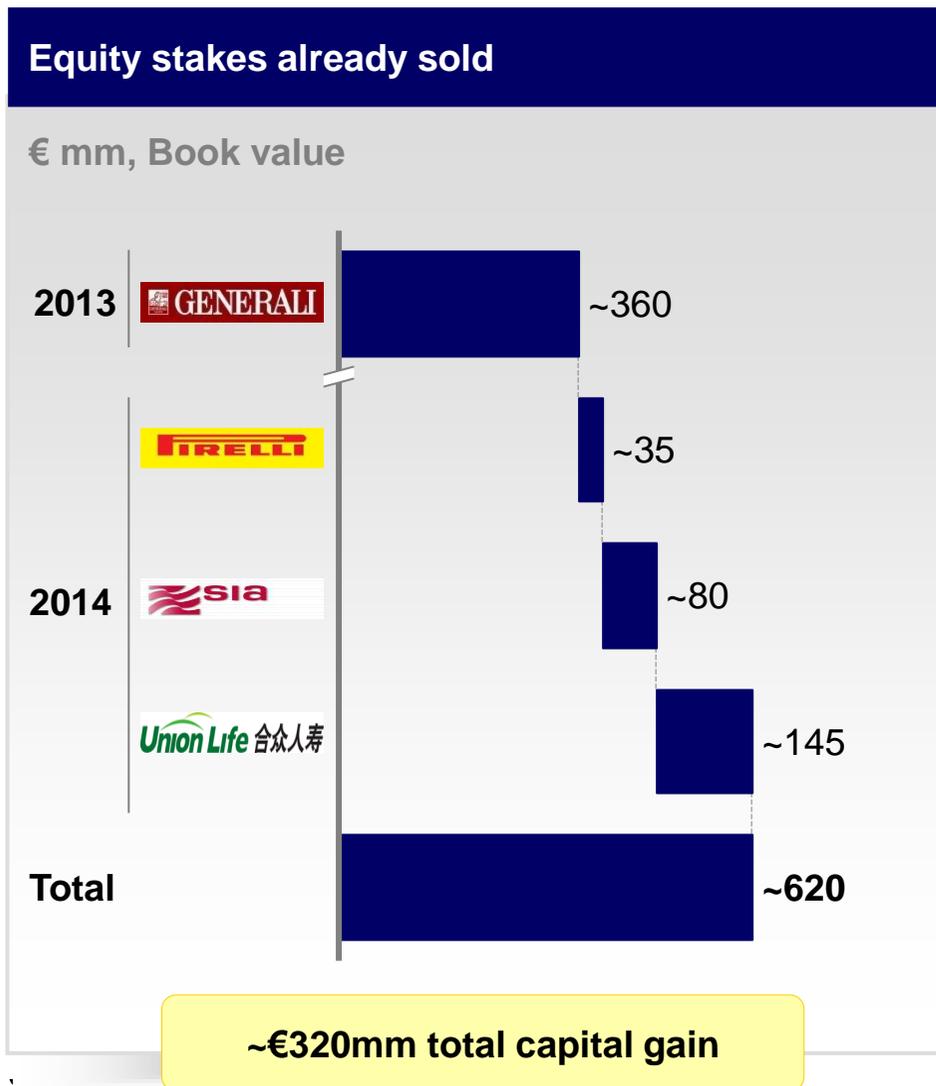
Impact on stock of non-core assets



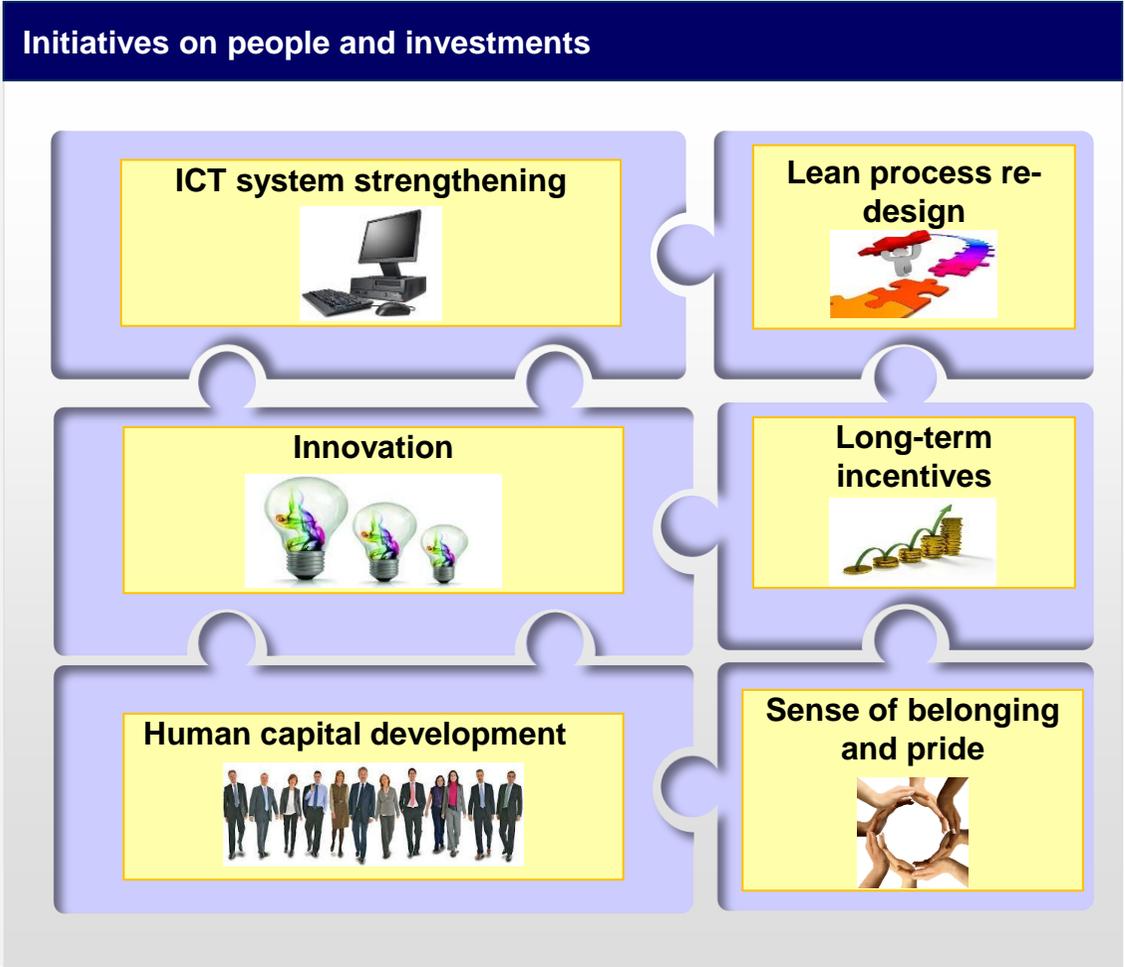
Impact of additional value-accretive NPL disposals not incorporated in the Business Plan

(1) Real Estate owned Company

Creation of the Capital Light Bank to Reduce Non-core Assets (3/3)



Multiple New Initiatives Contribute to Value Creation



People and Investments as Key Enablers: Significant Investments in Technology and Innovation

Main initiatives

ICT system strengthening

- **Digital Banking** and Group integrated **multi-channel offering**
- **Integrated management of customer data/leads**
- Simplification and homogenisation of **International Subsidiary Banks' platforms**

Lean process re-design

- **Simplification of processes** with strong emphasis on **lean orientation** (e.g., automation of controls, shared elements centralisation)

Innovation

- Usage of the new **ISP Tower** in Turin to foster innovation (development of new products, processes and the “ideal branch”, training centre)

Investments

€ bn

5.0

2014-2017

People and Investments as Key Enablers: Empowered and Motivated People

Main initiatives

Long-term incentives

- **Upgrade of the incentive systems**, linked to productivity and results

Human capital development

- **Strong effort on training**, with focus on technical and managerial capabilities (more than €1bn invested in training)
- Development of **international and inter-functional career paths**
- **Identification of future leaders** (“scuola dei Capi”)
- **People re-allocation** from non-client facing or low value added activities to commercial and other value-added activities
- **Fostering of ISP values and culture** through dedicated initiatives
- **Improvement of working flexibility** (e.g., part-time, telecommuting)

Sense of belonging and pride

- **Internal policies and communication** aimed at fostering the Bank’s culture of **outstanding service** and **support to families and businesses**
- **Upgrade of company welfare** mechanisms (e.g., pension fund, nursery schools, etc)

Training days

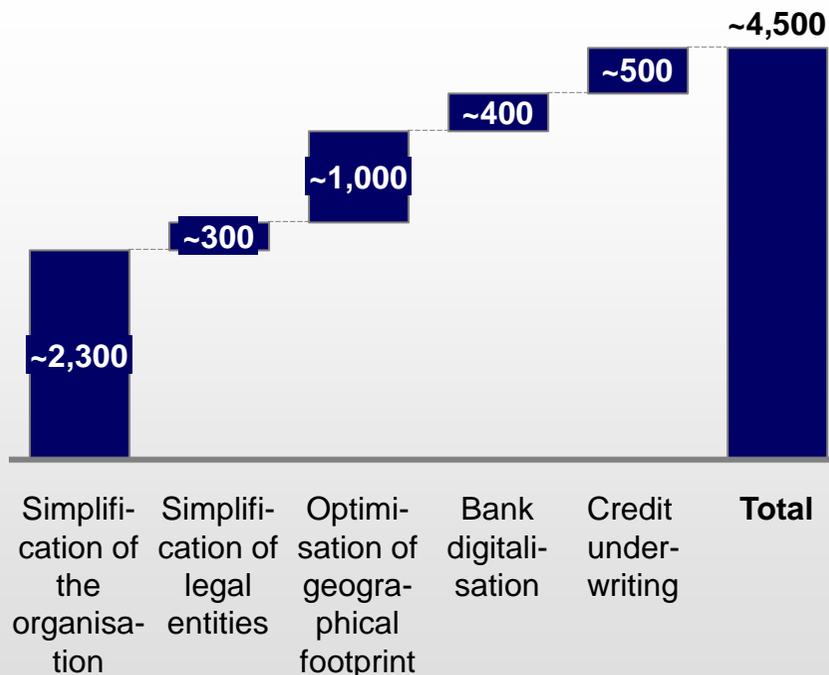
days (mm)

~5

2014-2017

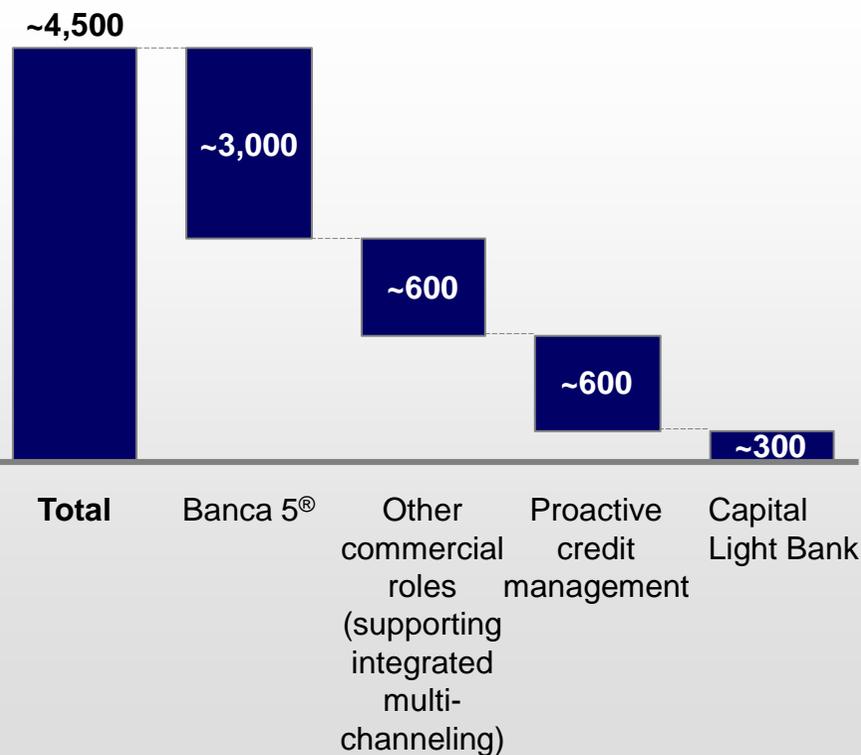
People and Investment as Key Enablers: ISP Aims to Reallocate Excess Capacity to Priority Initiatives

Excess capacity...



Most people already active in the field

...absorbable through priority initiatives

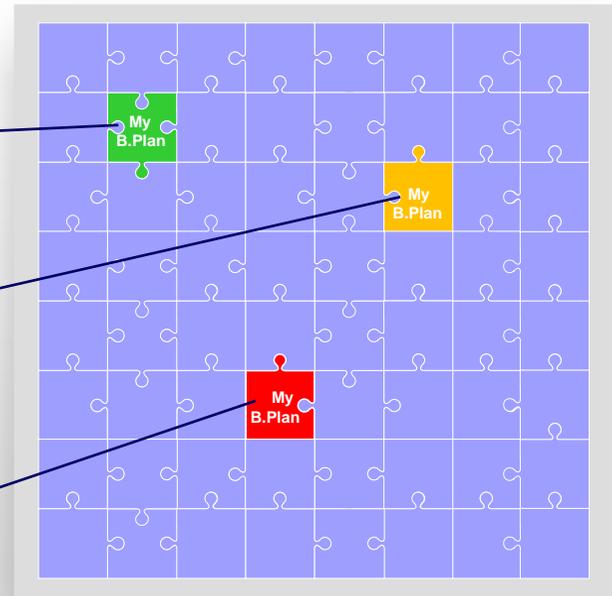


People are Our Key Asset

People are our key asset...



...a Business Plan for each individual to deliver



Agenda

Key Messages

Ready to Benefit from Market Recovery After Years of Recession

Value Creation and Distribution Driven by a Clear, Effective and Shared Action Plan

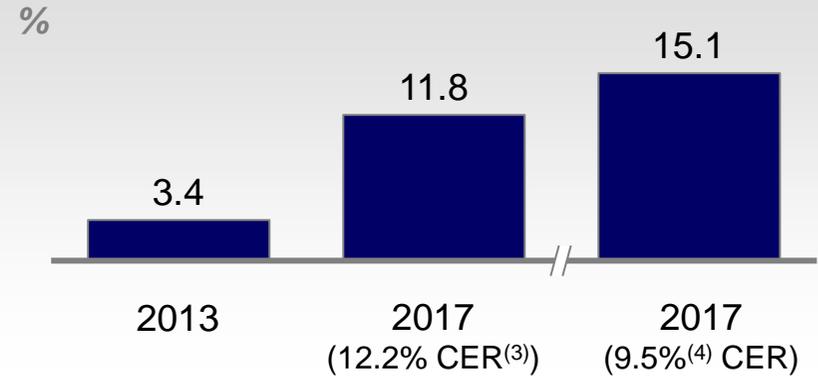
Final Remarks

Solid and Sustainable Shareholder Value Creation and Distribution (1/2)

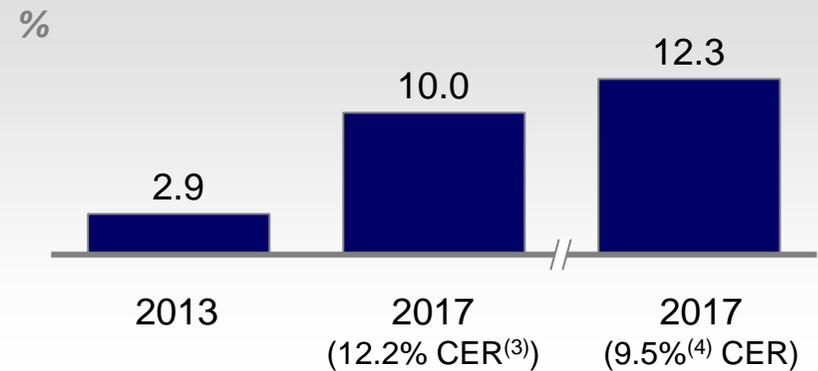
Value creation

- 2017 return above cost of capital for:
 - The Group
 - Each Business Unit

ROTE⁽¹⁾



ROE⁽²⁾



(1) Net Income (pre Goodwill and other Intangibles impairment) / Tangible Net Shareholders' Equity (Net Shareholders' Equity excluding Net Income, Goodwill and other Intangibles)
 (2) Net Income (pre Goodwill and other Intangibles impairment) / Net Shareholders' Equity (excluding Net Income)
 (3) Pro-forma fully phased-in Basel 3; including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (1bps), from Danish Compromise (13bps) and from the stake in Bank of Italy (86bps); after ordinary dividends
 (4) Basel 3 compliance level for Global SIFI: 9.5% (4.5% Common Equity + 2.5% conservation buffer + 2.5% current maximum SIFI buffer)

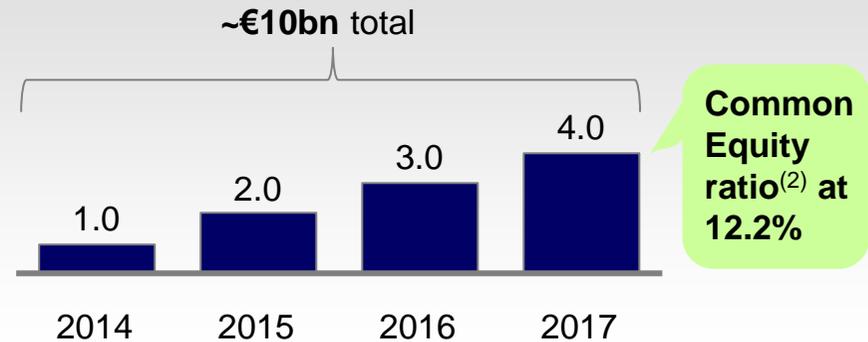
Solid and Sustainable Shareholder Value Creation and Distribution (2/2)

Value distribution

- **Strong and increasing ordinary cash dividend distribution**
- Starting from 2016-17, **capital in excess of regulatory requirements that is not needed for further growth initiatives will be distributed to Shareholders**

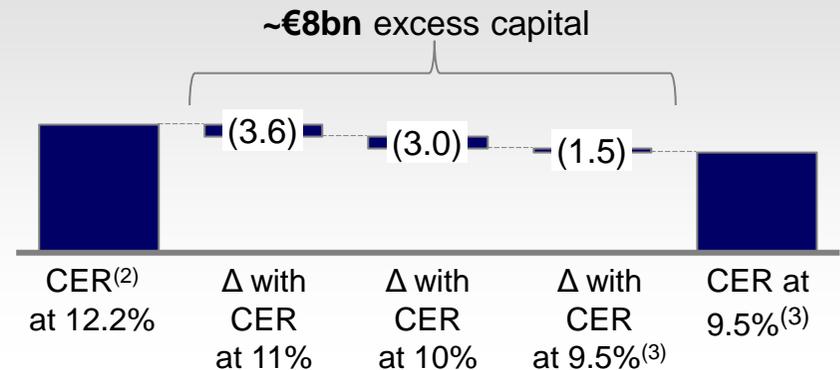
Cash dividend⁽¹⁾ in every year of the Plan

€ bn



Excess capital available for additional distribution from 2016-17

2017 Common Equity, € bn



(1) Subject to regulatory requirements

(2) Pro-forma fully phased-in Basel 3; including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (1bps), from Danish Compromise (13bps) and from the stake in Bank of Italy (86bps); after ordinary dividends

(3) Basel 3 compliance level for Global SIFI: 9.5% (4.5% Common Equity + 2.5% conservation buffer + 2.5% current maximum SIFI buffer)

Note: Figures may not add up exactly due to rounding differences

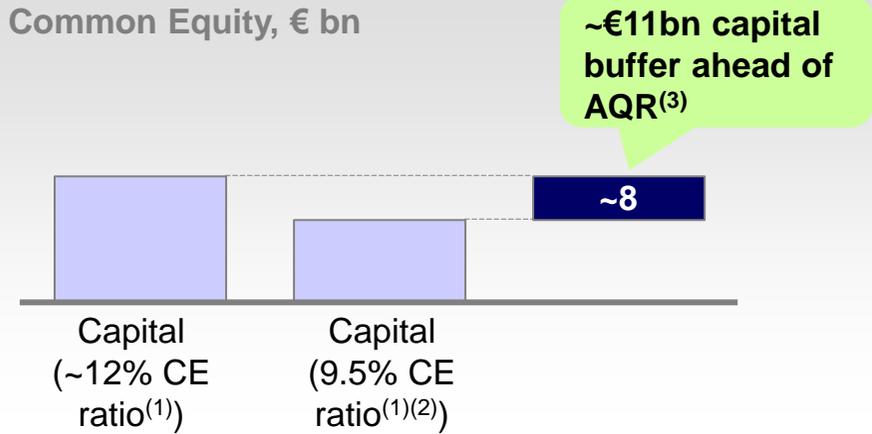
More than €200bn Contribution to the Economy

€ bn	Benefits	Total 2014-2017	
Shareholders	Cash dividends ⁽¹⁾	~10	<ul style="list-style-type: none"> €10bn available for consumption/investments
Families and Businesses	Medium/Long term new lending to the “real” economy	~170	<ul style="list-style-type: none"> ~350,000 new investments financed Lending growth well above GDP growth
Employees	Personnel expenses	~21	<ul style="list-style-type: none"> More than 90,000 households Excess capacity absorbable through priority initiatives
	Training	~1	<ul style="list-style-type: none"> ~5mm training days
Suppliers	Purchases and investments	~10	<ul style="list-style-type: none"> More than 40,000 households
Public Sector	Taxes ⁽²⁾	~10	<ul style="list-style-type: none"> Comparable to an Italian annual Budget Bill (“Legge di Stabilità”)
Social Sector	Medium/Long term new lending to support social ventures	~1.2	<ul style="list-style-type: none"> Banca Prossima the largest Social Sector Lender in Italy

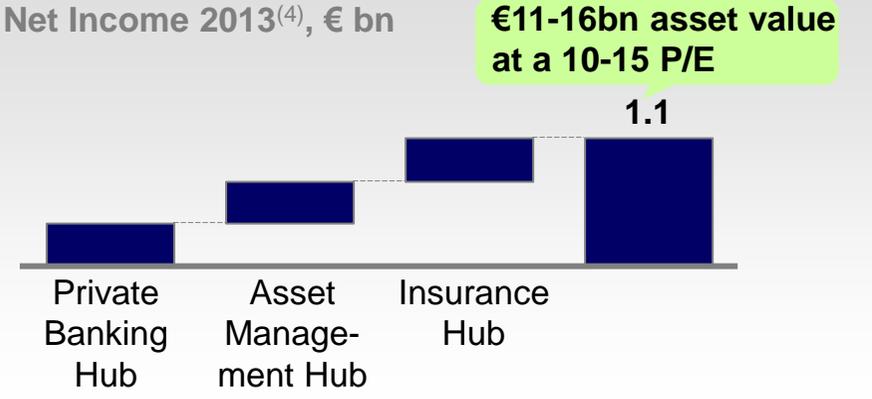
(1) Does not include additional pay-backs, which could be distributed subject to regulatory evolution
 (2) Direct and indirect

Key Success Factor #1: Ample Strategic Flexibility

Significant excess capital...



High growth / high value businesses with European scale...



...Allow ample strategic flexibility for...

...Growth

...Payback to shareholders

...Virtually unlimited buffer vs any AQR exercise / other regulation



(1) Pro-forma fully phased-in Basel 3
 (2) Basel 3 compliance level for Global SIFI (4.5% Common Equity + 2.5% conservation buffer + 2.5% actual maximum SIFI buffer)
 (3) Calculated vs the AQR threshold (8%); Calculation of capital buffer does not take into account the benefit from the stake in the Bank of Italy
 (4) Pre integration charges, effect of purchase cost allocation and Goodwill and other intangibles impairment

Key Success Factor #2: the Management Team

“Three Banks in One” ...

New Growth Bank



Core Growth Bank



Capital Light Bank



...with an experienced, cohesive and motivated management team

Back-up

Key P&L Figures

	2017 € bn	CAGR 13-17 %
Operating income	19.2	+4.1%
Of which Net interest income	9.0	+2.6%
Of which Net fees and commissions income	8.2	+7.4%
Operating costs	8.8	+1.4%
Cost/Income	46.1%	Δ-5.2p.p.
Operating margin	10.3	+6.8%
Net adjustments to loans	3.0	-19.3%
Pre-tax income	7.0	+29.6%
Net Income ⁽¹⁾	4.5	+38.3%

(1) Pre Goodwill and other Intangibles impairment

Key Balance Sheet Figures

	2017 € bn	CAGR 13-17 %
Loans to customers ⁽¹⁾	369	+3.5%
Customer financial assets ⁽²⁾	884	+2.4%
Of which direct deposits from banking business	396	+1.6%
Of which direct deposits from insurance business and technical reserves	119	+6.3%
Of which indirect customer deposits	487	+3.2%
Assets under management	342	+7.2%
Assets under administration	146	-4.0%
RWA	296	+1.0%

(1) Excluding loans to customers belonging to Capital Light Bank

(2) Net of duplications between direct deposits and indirect customer deposits

Note: Figures may not add up exactly due to rounding differences. CAGR calculated on exact figures

Value Creation in All Business Units

Post-tax ROTE >
Cost of capital

	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks ⁽¹⁾		Private Wealth Management ⁽²⁾	
	2013	2017	2013	2017	2013	2017	2013	2017
Operating income, € bn	9.9	11.8	3.4	3.8	2.1	2.4	2.5	3.0
Operating costs € bn	(5.0)	(5.4)	(0.8)	(0.9)	(1.1)	(1.1)	(0.7)	(0.8)
Cost/Income %	50%	46%	24%	23%	52%	46%	29%	26%
Net adjustments to loans, € bn	(5.6)	(2.2)	(0.7)	(0.5)	(0.8)	(0.4)	(0.0)	(0.0)
Pre-tax income € bn	(0.7)	4.2	1.7	2.4	0.1	0.9	1.7	2.1
Net Income⁽³⁾ € bn	(0.5)	2.6	1.1	1.7	(0.1)	0.7	0.9	1.4
RWA € bn	110	114	90	101	28	31	7	8
ROTE⁽⁴⁾ %	(6.1)	29.0	14.8	20.7	(4.0)	27.9	27.7	35.7

(1) Excluding Ukraine

(2) Including Private Banking Hub, Asset Management Hub and Insurance Hub

(3) Pre Goodwill and other Intangibles impairment

(4) Net Income (pre Goodwill and other Intangibles impairment) / Absorbed Capital (based on regulatory capital and including insurance risk and business risk for Private Wealth Management)